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CREDIT WORLD

October, 1942

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ASSOCIATED CREDIT BUREAUS OF AMERICA
INCORPORATED

1218 OLIVE STREET

SAINT LOUIS, MO.



The CREDIT WORLD

L. S. CROWDER
EDITOR



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ASSOCIATE EDITOR

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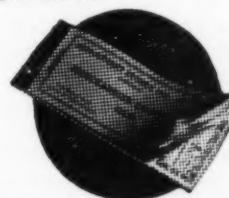
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Can Accounts Be Frozen and Cured Without Adding to Overhead?

L. Ray Schuessler, C.P.A.

L. Ray Schuessler and Company
Saint Louis, Missouri

THE ANSWER IS "Yes," if proper measures are taken; and the answer is "No," and a very positive "No," if the store clings to its old methods, and adds the expense incidental to the freezing and curing of accounts.

Without question, it costs money, and a lot of money, to freeze and cure accounts, but it is possible, by proper application of accounting principles, not only to avoid increasing the cost of handling charge accounts, but also materially to reduce expenses incident thereto. In the following suppositional round table discussion an attempt is made to illustrate the fundamental principles upon which this conclusion is based.

Mr. A Speaks

Mr. A: Inasmuch as we have always authorized credits from our ledger accounts (we do not make a duplicate copy of a customer's statement), we have encountered no difficulty in complying with Regulation W. As a matter of fact, we have never had any trouble in controlling the maximum balance in a customer's account, because, except on the day of a large sale, or on Saturdays, we make a pencil notation on the ledger sheet of the amount of each item authorized. Most of our sales are "sends," and we therefore can, ordinarily, quickly authorize the "charge takes" by sending the sales checks to the authorization department in a different colored container, thereby flagging the items requiring immediate attention. Frozen accounts are indicated by filing them separately in the back of each ledger. Of course we make mistakes now and then and sell items to customers whose accounts have been frozen; and we have been obliged to assume the additional expense burden caused solely by the freezing and curing of accounts, to say nothing of the curtailment of our business due to the fact that certain accounts have been frozen. And Regulation W, therefore, even to us, does present certain problems which we have not as yet satisfactorily solved.

Mr. B's Remarks

Mr. B: I can readily see, Mr. A, why you have no difficulty in complying with Regulation W, and it is easy for me to understand why it is costing you money to comply, even under the conditions outlined. Unfortunately, because of our numerous accounts, it is impossible for us to authorize credits by referring to our ledger accounts, and we are therefore compelled to use a separate authorization file. We use a single line visible

index, being in our opinion the quickest and most efficient medium from which to authorize charge sales. We find we can authorize charge sales in a manner that complies with Regulation W; but we are incurring entirely too much expense in the freezing and curing of accounts, and in authorizing all "sends" regardless of size, and all "takes" when over five dollars. Let me briefly outline a little of the additional work that we are doing, solely in order to comply with Regulation W. In the first place, in order to properly mark our authorization files, on the night of the tenth of each month, to indicate which accounts are frozen, it is necessary for us to keep continuous analyses of all of our accounts, this being done by placing an indicator (in our case, a little red star) on the duplicate of the current month's statement of each account that may be frozen on the tenth of the following month, said indicator being removed if the customer pays up on time. Our remittance stubs are the source of information for removing the indicators. If we cure an account before the remittance stub reaches the bookkeeper, we place a "cured" stamp on the remittance stub. If the remittance stub reaches the bookkeeper in the usual way, the bookkeeper prepares and sends through a notice on every account that should be cured, of course by removing the indicator from the duplicate of the statement and from the authorization files. It does not take long to make an analysis of any one statement, but the necessity for a continuous analysis of current accounts, as well as past due accounts, is what hurts. It is also quite an effort actually to mark the authorization files to freeze accounts, and it is even more work to indicate, in the authorization files, the curing of accounts. Then too, inasmuch as we authorize "charge takes" up to five dollars, without referring to our authorization files, we are obliged to send out individual letters to customers who make purchases, in spite of the fact that their accounts have been frozen. We use a duplicate copy of a customer's statement as a ledger account, and it is therefore necessary for us to bring forward the prior month's balance as the first item on the current month's statement. This has certain disadvantages, because our up-to-the-minute balance always includes any unpaid previous month's balance, or portion thereof. We also keep a collection card as an historical record, and post to each customer's collection card the total of each month's sales, and a record of each remittance received from the customer. To make these postings, we are obliged to keep the collection cards in

sequence, and can thus determine delinquencies only by periodically running through these cards to analyze the status thereof. This procedure adds a lot of expense, and if it is possible, we should certainly like to avoid the duplication of effort. It should be borne in mind that, even if we were willing to take long chances on credit losses, we would of necessity be compelled to do almost all of the work we are now doing. We do not attempt to keep a stop list of accounts that have been closed or frozen, in order to be in a position to determine whether or not the possession of a metal identification plate actually indicates that the customer is entitled to credit. Such a stop list was possible before the enactment of Regulation W, but we should dislike very much to attempt to keep a stop list in order to comply with Regulation W. The thing that makes a stop list so difficult is the fact that there is no expiration date on the metal plates in possession of customers. Whereas Mr. A points out that he unknowingly sells only a few accounts that are frozen, we find that it is quite an item in our expense budget; and we also find that our sales manager is complaining of the annoyance to customers, due to the fact that they are forced to wait while accounts are authorized.

Mr. C's System

Mr. C: We keep our street address file on a single line visible index, and we authorize from the street address file, because we find it easier to locate the street address and then the name, rather than to reverse the procedure. We have found that we can authorize faster from the street address file than from the alphabetical file. We, too, keep continuous analyses of all accounts, in order to secure the means of indicating on our authorization files the accounts that are frozen. We start our

analyses about the first of each month, and we analyze and mark the ledger sheet of each account that can become frozen on the tenth. We then prepare a list of all accounts so marked. Any payment received after the list has been made is indicated in the left hand margin in red. At the close of business on the tenth of the month, our list reflects each and every account that has become frozen. We use this list to flag the accounts on the authorization files. When an account has been cured, we remove the flag. We stamp a figure on a ledger sheet to indicate freezing (1 for January, 2 for February, 3 for March, etc.), and we cross off the figure when the account has been cured. Our bookkeepers stamp a remittance stub "cured," if the remittance cures the account, and they keep all such remittance stubs separate until the list of frozen accounts can be properly marked. Each list of frozen accounts is used for the entire month and it is passed back and forth daily between the bookkeeping department and the authorization files. Our problem is not one of complying with Regulation W, but of finding means to enable us to absorb the additional expense, to say nothing of the gross profit which we lose by reason of a percentage of our accounts being frozen. We do not post each cash remittance twice, because we post each cash remittance on the customer's ledger sheet, thus avoiding the necessity of bringing forward a prior month's balance on the customer's current month's statement. We of course enter the prior month's balance, if any, at the end of a month instead of at the beginning of the month, and thus avoid some of the difficulties which you encounter. We in turn post to each customer's account the total of his sales for each day, in order to keep our ledger sheets up to date at all times, to be in a position to stop credit when necessary, as well as freeze it.

★

REMITTANCE SLIP
(Should be properly coded)

Name _____

Address _____

Always return this stub with remittance.

(Date) Feb. 28, 1942

(Name) John J. Jones 7 52542

(Address) 711 Lucky Ave. 129

(City and State) Chicago, Ill.

"REMITTANCES" and "CREDITS ON BALANCES"		Credits	Previous Balance
Feb. 1	December Balance	\$10.00	45.00
Feb. 1	January Balance	\$5.00	
Feb. 10	Cash	10.00	35.00
Feb. 27	Cash	25.00	10.00

Date	PURCHASES	Amount	Current Month's Balance
Feb. 11	1 Dress	\$10.00	10.00
Feb. 25	1 Suit	25.00	35.00
Feb. 28	Sales Tax	.70	35.70

TOTAL BALANCE \$45.70

If Payment Is Sent In By Mail, This Statement Must Accompany Your Remittance.
If Payment Is Made at Store, Present This Statement With Your Payment

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ASSOCIATED RETAILER'S STORE
CUSTOMER'S UNIT-BALANCE
CREDIT LEDGER CARD

Expires September 10, 1942

John Doe,
711 Lucky Street,
St. Louis, Mo.

THIS CARD IS ISSUED IN ACCORDANCE WITH AGREEMENT BETWEEN THE STORE AND THE CUSTOMER AND MUST BE PRESENTED AT TIME OF EACH PURCHASE, OR JUNE REQUEST, TO OBTAIN CREDIT FROM ASSOCIATED RETAILER'S STORE.

John Doe,
711 Lucky Street,
St. Louis, Mo.

ASSOCIATED RETAILER'S STORE

Date	Dept.	ITEMS	Debits	Credits	Amount to Date
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Imprint Educational Messages Here

Mr. D's Problems

Mr. D: I have listened with great interest to the explanations made by Messrs. A, B, and C. In general, we have exactly the same problems that they have, but we have eliminated to a great extent the expense of authorization, and have eliminated almost entirely the embarrassment and annoyance to customers which is caused by waiting to have charge sales authorized. We are, however, going to have a certain amount of bad debt losses by reason of the procedure that we have adopted. We have eliminated certain expenses by the use of a credit card (said credit card being issued each month) and by accepting this credit card as authority for making individual purchases that do not exceed \$10.00. You can readily see that the \$10.00 maximum for each individual purchase enables us to eliminate a great deal of work, but it does not eliminate the necessity for keeping a complete authorization file. As stated, our bad debts will probably show an increase, inasmuch as we have no way to positively limit the total amount of a customer's monthly purchases, once the customer is in possession of a credit card. We are, however, in a position to issue a "stop list."

Mr. E's Procedure

Mr. E: I am quite interested, Mr. D, in your use of a credit card to eliminate a large percentage of authorizations, but I believe that the procedure which we have adopted, if combined with a credit card, would indeed be an improvement. I base my conclusion on the fact that we use what I consider to be a very scientific method of freezing and curing accounts, but our methods have not eliminated any records; and we are, therefore, taking out of our profits the excess expenses caused by freezing and curing accounts, and the making of additional authorizations which Regulation W has imposed upon us. Our procedure for freezing and curing accounts would certainly help you, Mr. D, and your credit card would undoubtedly help us, but it seems that I am getting ahead of my story by stating conclusions rather than explaining our procedure. We started out with our present system by simply making up an additional remittance stub (I suppose I should say we made up a "freezing and curing slip"—of course on a separate slip of paper) for each statement to be sent out, said slip containing the customer's name and address, account number, and the date. We prepared our statements in the usual way, and then separated them into two stacks, one stack containing the statements that reflected balances from prior months, and the other containing statements that showed no balance from a prior month. We also divided the "freezing and curing slips" in the same way; and we threw away the "freezing and curing slips" for the statements showing no balance of a prior month. It has been a very simple matter to make up the "freezing and curing slips," because we made them in the same way that we make our statements, and we used a cheap grade of paper, entirely adequate, however, for the purpose. After mailing the statements that reflected only transactions for the current month, we punched holes in the remittance stubs of the statements that reflected a balance of a prior month, and then mailed the statements. The "freezing and curing slips" were immediately placed, in sequence, in an "Accounts Frozen" file. We divided

the "Accounts Frozen" file into sections, one section for each bookkeeper, in order to place each account in the hands of the same bookkeeper. From the first through the tenth of each month, as a remittance is received that prevents the freezing of an account on the tenth, the "freezing and curing slip" is removed from the "Frozen Accounts" file and stamped "Paid." After the close of business on the tenth, each "freezing and curing slip" in the "Frozen Accounts" file represents an account that is frozen. You will notice that we do not place an indicator of any kind on a customer's statement, but we do place indicators in the authorization files to show the accounts that are frozen. We have found that a red check mark on the authorization record of an account is entirely adequate to indicate that it is frozen. A black check mark to the right of the red check mark, but overlapping the red check mark, is adequate to indicate the curing of an account. By the simple expedient of overlapping the red and black check marks, it is easily possible to freeze and cure accounts as often as desired. We do not like the idea of erasing or scratching out an indicator. After the authorization files have been properly marked to show freezing, as an account is "cured," by payment or otherwise, the "freezing and curing slip" is removed from the "frozen accounts" file and stamped "cured." We use a dual system, and it is very easy to remove and stamp the "freezing and curing slip" simultaneously with stuffing a remittance stub in front of the ledger sheet that is to be posted as a credit to the account. As stated, when a "freezing and curing slip" is removed we stamp it "cured" and use it as a source of information to put a black check mark on the proper account in the authorization file to show that the account has been cured; and also, as a medium from which the customer can be advised that his account has been cured. I might point out that the hole punched in a remittance stub makes it very easy to identify and cure an account without delay. The same thing could be accomplished by the cutting off of a corner, or by stamping the remittance stub to indicate that the statement, of which the stub is a part, reflects a balance from a prior month. In no other way is it possible to cure an account so quickly, especially on days when numerous remittances have been received on current balances. We also enclose a return envelope of a different color and size, when a statement contains a balance of a prior month, in order to further facilitate the immediate handling of remittances on frozen accounts, or accounts that may become frozen. We have found that authorization files can be marked much faster from "freezing and curing slips" than from ledgers or from lists prepared from ledgers in which frozen accounts have been indicated by marking or stuffing. Another point: we can temporarily use the "frozen accounts" file of "freezing and curing slips" in the authorization department, to determine if accounts have been frozen, if for any reason we are delayed in marking up the authorization file. Actually, however, we always try to mark up the authorization file on the night of the 10th, and then keep them right up to the minute. This, ordinarily, is not at all difficult. We check up on remittances that have just been received before we refuse to sell a customer whose account has been frozen, if the customer

(Turn to "Accounts Frozen," page 24.)

John H. Keen

Motor Carrier Insurance Agency
Austin, Texas

It's Time Business UNDERSTANDS . . .

. . . THAT THIS IS WAR, A TOTAL WAR. It is a war without a parallel in human history. Even in the deepest jungles, savages, head-hunters, cannibals, had no organized schools which took the kid from his mother's breast and trained him for war as a religion. Yet for ten years, the Nazis have done that and more. Submission, unity, worship of Hitler are taught children by a study of the beehive. Mass murder is the goal of their education.

Oliver Wendell Holmes well said, "War is the surgery of crime. Surgery is painful to endure, sometimes even fatal, but always implies, just as war does, that worse conditions have gone before." Decent people, peace-loving nations have grown accustomed to the "good life." Our grandmothers could take it, but our wives and daughters can't. We have come to mistake comfort, style, and convenience for civilization. Business today measures success by size. Bigness, numbers, and volume are the yardsticks of values. Yes, this war is the surgery into which business enters to have eliminated from its system the poison which is slowly spelling the doom of modern civilization. If we survive, an era of health and longer life lies ahead.

We Were Not Prepared For War

A patient is seldom prepared for his needed operation. And business was far from prepared for war on December 7, 1941, and why not? Babson, Kiplinger, McGraw and a dozen other commentators and experts warned as early as January, 1941, that by November or December we would be in the war. Did we heed them? Here is a story that reflects the "business as usual" attitude in France even as it still is too often found here.

Lunch at the home of Lady Leslie had just concluded on a fall day in 1935. Her nephew, Winston Churchill, led the honored guest, Maurois, the great French author, into a room and sat down.

"Now, Mr. Maurois," said Mr. Churchill, brusquely, "you must not write any more novels. No! And you must not write any more biographies. No!" The French writer looked at Mr. Churchill in alarm.

"All you must do is to write one article a day, a single article, and the same one every day. Articles that will tell French business, French workers, French farmers that they are unprepared for the attack by Germany. Their Maginot line is a monument to brass hat folly. Their air force is becoming a joke, while Germany is building the greatest air power on earth. Force France to listen, awake, act."

"I didn't write those articles. I've never ceased to regret my failure to follow Churchill's admonition," said Maurois. That was in 1935.

It's time business understands that *profit* cannot, during war, be the controlling factor in business or business

planning. To continue to do business for *profit* is to lose the war. There are a few intelligent businessmen who saw what was ahead and prepared to absorb at least a part of the shock which must inevitably come to all business. Did you? I congratulate those who did.

Business must now, for the duration, fall into the war tempo. Business must not only forego and forget profits, but must sacrifice much of its present assets to win this fight. *Else all is lost.* You cannot eat your cake and also keep it to fondle later. Neither can you have business as usual and have any business later on to work at.

It's time business understands that timeless truth uttered by Jesus of Nazareth: "He that saveth his life shall lose it; but whosoever loseth his life for my sake shall find it." We must face facts. We can't hope to win without sacrifice at home and death abroad.

I regret to observe that there are those Ph. Ds. in high places in government who are continually talking about "preserving our social gains—that we must not sacrifice the very freedoms and democratic practices which we are fighting to preserve." If you will excuse me, I must express my reaction to such froth and bauble by merely saying, "Fiddlesticks"!

You cannot preserve your social gains without losing this war, and with that loss lose everything we love and care to live for. But the nation that is willing to sacrifice its social gains, to restrain its democratic freedom, to discipline itself to what it takes, and lose these things for victory's sake, will find itself and gain a future that our boys and girls will prize and will know why we lost all to win it for them. Remember the paraphrase of the Master's words: The nation that saveth its social gains shall lose its life; but the people who sacrifice comforts, conveniences, shorter work hours, ease, sweets, golf, vacation travel and even life, for the sake of victory, shall find a glorious future for their kids. And after all, aren't those youngsters what matters?

It Is Time to Sacrifice

The nation, the business that saveth its life shall lose it; but that people, that merchant who sacrifices to beat Hitler and his houseboy, Togo, will find a new life and a better business.

It's time business understands that it has a vital task, a new job in winning this war. That job is to *service the essential* needs of the civilian population back home behind the fighting men. I know some who talk loud about service, but with tongue in cheek. I'll confess I'm a little "pyxilated" on the subject. But I don't stress "service" because of any early Sunday school connections. As a newspaper man and as a public relations man, I have

come to believe that intelligent service, honestly rendered is worth more to a business than doubling its assets.

Business will have a greatly restricted list of commodities for sale, and you will be able to sell what you have only under strictest limitations. You can make the price-control feature work or fail. I hope you will make it work. If you are half as intelligent as you think you are, you will make it work. For its failure spells ruin for us all. Forget about profit. *Service to the public* is now and for the duration your only excuse to keep your doors open. If you can't look at it that way, then close up at once.

Some things that service implies are: trained help—salespeople, credit men, buyers, etc. Your present force will rapidly dwindle from now on. New employees for replacements will be a headache. *Why not start now to perfect plans for training schools covering all phases of business, so your replacements will be less wasteful of man-hours and materials and above all of public good will?*

This war will not be won without trained men at the front, in the production factories, and in business. For business must gear itself for war. Streamline its service to war needs. It's going to take work at home and fighting all over the globe, wherever the yellow bellies with their goggle eyes and protruding teeth appear, wherever the slaves of Hitler and the tired soldiers of Italy's "sawdust Caesar" ask for slaughter.

It's time business understands that questions about what will happen after the war are not important for our attention and discussion now. What would you think of your neighbor whose house was burning with his wife and kids, his old mother and his uncle inside, and he was off in the yard planning with an architect the kind of house he would put up after the fire was out?

Let's Win the War First

Yet, it is not uncommon for some social worker or college professor or reformer to get on a luncheon program and tell us we must now be planning for the peace after this war. I say, let's win the war first. Let's save for our children some of the things we love better than life.

And, remember, we haven't won this war by a long sight yet. We have been licked—the United Nations have been forced to retreat and to evacuate—both by the Germans and the Japs in engagements on land and sea. Our wishful thinking, our news releases, our radio commentators feature one item of heroic valor and our hopes make us think that war will be over by Christmas.

Just suppose the United Nations win, what will the future hold for business? I'm not smart enough to answer that question, nor fool enough to predict conditions which business will face after the war. But I do want to offer two suggestions:

First, the men who plan the future social and business life and practices of these United States after the war are not the Ph.D.'s now in Washington who think they have all the answers and are making blueprints now for the structures that are to replace the present decadent ones.

Who will be the builders of tomorrow's day? The boys who return from the fox holes of Bataan, from the

wastelands of Australia, from the rich jungles of Java and Borneo, from the mosquito swamps of Burma, from the highlands of China, from the Valley of the Nile and the sands of the Great Sahara. Those men will tell you how to run your business. They will remember how you ran it during the war when their comrades gave their all to save your life and your right to do business. They will know whether you kept personal profit uppermost in your mind or served the needs of their mothers, fathers, sweethearts, wives and kiddies, the things necessary to keep them alive and well back home.

We are not going to have much to say as back-talk if we don't join up now and do the job business must do if we win for democracy.

It's Time Business Understands

My No. 2 suggestion is like a ray of hope to a dying businessman. It's time business understands that *internal* debt in any nation is not in itself a dangerous situation. I know that many attend the National Chamber of Commerce Conventions where paid speakers tell the audience what they pay to hear. Others attend manufacturers' association gatherings and cry and wail about the national debt, about the future post-war depression, and more such nonsense. These big men are big in position, voice, and often big in their girth. But so was the extinct dinosaur big. That kind of bigness does not of necessity imply intelligence enough to preserve itself and its kind. The agile microbes, often visible only through a glass, still thrive when the big boy's bones are bleaching on the plains.

Let's look at the facts about national finance. You have been led to think of national debt, *though internally held*, as you think of your own or your firm's debt. Such a view is erroneous. Men, otherwise intelligent, are as ignorant as a fourth-grade child about the relation of the national debt to inflation and the credit of that nation. Government is not a separate entity. It is the people who, as citizens, own and control it. When I borrow money, I owe it to some other person. When your business makes a loan, another business or person becomes creditor and could, in an extreme case, close your doors.

But when citizens of a country pay taxes to, or buy bonds of, their government, the people have not gone into debt. There is no strain on the credit of the nation when we lend our government 120 billion dollars to dig, fabricate, ship, and blow up war material. The question of government debt becomes only a question of distribution. So long as the income of its people can and does take care of the interest on its debt, the nation's credit is not impaired, even when the internally held debt becomes twice the national income. England's national debt following the Napoleonic wars reached that huge proportion. Yet the Elizabethan era that followed was the most prosperous in English history. And, in passing, I might say that that national debt has not been paid off even yet.

Like your stock exchange, government bonds held by citizens who want their money, always find new bond buyers who need investments from which they can realize an income. Bonds are never in any danger of being repudiated by the government so long as the fiscal policy

is sound enough to care for the annual interest on its indebtedness.

The outlook for business after the war is bright provided businessmen learn to detect and foster the true factors in an economy of plenty, an economy of production, where labor is wealth and money is only a medium by which work is measured for exchange—a sort of shorthand for the record—to be translated later into goods and services, true wealth.

Men and women who close their minds and refuse to open them to these simple, potent facts, will be discarded by society as of little use. As the parachute that fails to open is of no value to the descending airman, the human mind is valuable only when it opens at the proper time and place. The world will need goods after this war. There will be work for all. Manpower will be in great demand. There will be no place for afternoon bridge or teas, for lounge lizards and two-toned chauffeurs, for sterile non-working members of society.

People Ahead of Leaders In Demand for Action

It's time business understands. It's time our leaders in Washington understand that we plain folks want aggressive leadership. We want to put our money and effort into offense. We want to be told how and when to help. America has been slow waking, but today the people are far ahead of the leaders in their demand for action. The war of words should be adjourned. Personally, I'd like to see Congress adjourn after passing such legislation as will make all organizations legally responsible for the use or the abuse of the powers which organization confers. And I mean to include in this term "organizations," labor unions. Privileges without duties, power without accountability is not the democratic way of life we love and for which our boys (and soon our girls) are dying on far-off isles of the seas.

Business must come to understand that as France lost this war because businessmen adopted a "hands-off" attitude toward government leadership, so will we lose this war and serve Hirohito unless our businessmen understand and do something about it. Tell Congress now to quit talking about "no slowdowns, no huge profits, no shortage in materials, quit trying to fool themselves and us." We must let patriotic Americans who want to work and have skill to do the job start when and where needed, without paying some lily-handed labor racketeer an initiation fee either in cash or by installments. We never expected to live to see the day when our national government took its top hat off, bowed its striped knee to ask labor whether it could expectorate with the wind or against it. God bless America with some backbone and more brawn so that she will not much longer bow the knee to the labor boss who toils not, neither does he spin, but ancient kings in all their glory never enjoyed such protected power as non-working labor racketeers. *God bless America with a persistent will to live, with a heart to hate, with courage to kill until every government that worships science instead of God, values might above human rights, kill until such governments and those responsible for them are totally destroyed and vanished from God's good earth.*

PROCEEDINGS



of the

1942 Department Store Group Conference

CREDIT is playing a big part in the war and the Group Conferences of our New Orleans Wartime Convention showed a new picture of the credit department scene today. The timely discussions of this Group are again published in booklet form.

It is filled with up-to-the-minute information on the subjects listed below which are of vital importance to all credit executives today.

Personnel	Age Analysis
Regulation W	Lay-Aways
Authorization	Credit to Armed Forces
Employees Accounts	Cycle Billing
Accounts in Default	Collection Letters
Conversion Agreements	Unauthorized Charges
Carrying Charges	Sales Tax
Billing	Interest on Accounts
Coupon Books	Default Notification

Also contains the address by Hon. Ronald Ransom, Vice-Chairman of the Board of Governors of the Federal Reserve System on *Regulation W* and a complete report of the open forum discussions of Regulation W.

1942 PUBLIC UTILITY GROUP CONFERENCE

A stenographic report of the discussions and addresses given at the Public Utility Group Conference of the New Orleans Convention should be of more than ordinary interest to utilities this year.

This report will also include the report of the open forum discussions on Regulation W.

Only \$2.00 Each to Members
(Non-Members \$2.75)

Order Copies Now!

**NATIONAL RETAIL CREDIT
ASSOCIATION**

Shell Building • St. Louis, Mo.

Effect of REGULATION W on the JEWELRY BUSINESS

L. S. Dickason

President, Dickason Jewelry Co.
Tyler, Texas



REGULATION W, in my opinion, is proving to be a good dose of vitamins that has definitely enriched the blood stream of cash sales and collections in the jewelry business. It is my belief that the majority of jewelers are in favor of Regulation W, not only as a means to aid the government to keep down inflation, but also as a sensible way

of making the jeweler more financially able to operate and finance his business. One of the most wholesome effects of Regulation W on the jeweler is that it encourages him to sell jewelry instead of terms. It booms cash sales; it teaches the public to pay within a reasonable length of time; it enables the jeweler to pay his bills promptly.

The jeweler is a good sport and he realizes that anything that helps the government will eventually help his business. Nothing can take the place of jewelry—the jewelry business will live forever!

While I am enthusiastic about the wisdom of Regulation W for the jewelry business, I am sure I voice the sentiment of the great majority of the jewelers in America when I submit that the present regulation which was intended to prevent inflation, not the stifling of business, is severe enough; and that further curtailment of credit would work a hardship on the jeweler. I believe with a firm conviction that the dose of vitamins which was given jewelers according to directions was correctly meted out to make us grow healthy; but any additional amount would act as a detriment to our well-being.

The jewelry industry should accept Regulation W as a boom to desired business. Each jeweler should fall in love with it; because when love and skill work together, we may expect a masterpiece. One of the great secrets of life is not doing what one likes, but in liking what one has to do. It isn't necessary to have many advantages to become successful in adventures. Some of the world's most successful men served humanity with what they had. Success or failure in business is caused more by mental attitude than by advantages or by mental capacities. We should all get and keep the right mental attitude and all of our problems will be pleasures.

RIGHT IN LINE

A very pertinent editorial comment written by a staff writer and reprinted from "The Spotlight Credit News," a bulletin of The Credit Bureau of Wheeling, W. Va.

YEARS AGO, some men with high ideals in the field of retail credit got together with men of the United States, and formed the National Retail Credit Association. In its constitution at the time of formation, it embodied certain purposes and objectives, and added a Code of Ethics to the delineation of its policies.

Remember, this was all back in 1912. We didn't have a lot of experience with wartime credit (we haven't a great deal yet) or with wide-sweeping reforms and legislation regarding money and banking.

BUT you cannot possibly miss our point in pride, as members of this National Association, when we review the Code of Ethics, and find it to be intact in today's turmoil and changed conditions. If every member would read these five items, carefully, he could well say, "Why that is practically what our Government is doing by legislation through Regulation W."

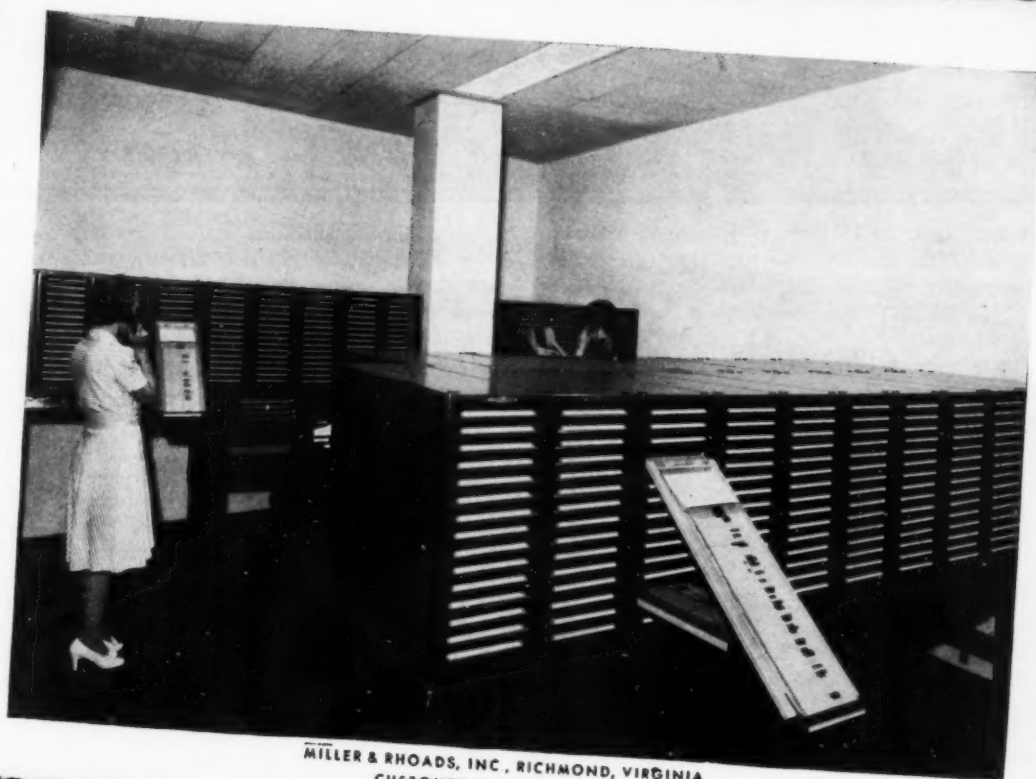
Just review the Code of Ethics which we reprint below—you will have to admit that the men who created it were THINKING beyond 1912:

1. To encourage the broadest use of consumer credit consistent with sound business principles and the welfare of the community.
2. To protect the interests of credit granters and customers alike by obtaining credit reports on all applicants for credit, by reporting to the credit bureau all unsatisfactory credit experiences, and by declining to sanction unsafe credit risks.
3. To educate the public in the proper use of credit, as a relation of mutual trust, and to the value of establishing and maintaining good credit records.
4. To counsel and protect customers against the tragedy of going into debt beyond their ability to pay; to safeguard their credit standing by requiring payments according to agreement.
5. To cooperate wholeheartedly with other credit granters in matters of credit policies and credit terms affecting the business welfare of the community and the public good.

Yes, the more you read that Code of Ethics, the more you can see that it might well have been dated 1942 instead of 1912; it cries out for all the things that have become a legislative necessity because of the war.

The task before us in respect to Regulation W is to be enthusiastic. The community which we serve appreciates enthusiasm wherever it is found. It is one of the greatest assets in the world. It beats money, power and influence. It is nothing more nor less than faith in action. It spreads like contagion, and influences every fiber of your industry before you realize it; it means increase in production and efficiency; it means joy and pleasure and satisfaction; it means the vital things which pay dividends. Be so enthusiastic about Regulation W that it will spread to your customer. Inspire him to cooperate with you to help him to "get on his feet" and pay his bills.

This cooperation is not a sentiment—it is a necessity for the successful operation of Regulation W. It is a part of the new Americanism. The spirit is spreading. *To be a part of the new American spirit, we should cooperate enthusiastically with every war measure.*



MILLER & RHOADS, INC., RICHMOND, VIRGINIA
CUSTOMER HISTORY RECORDS

How one store has solved Regulation "W"

Not just one store! Hundreds of retailers, both large and small, have found in Kardex an effective solution to Regulation "W".

Miller & Rhoads Inc., Prominent Richmond, Va. retailers, say their Kardex Customer History Record is a most economical plan for handling normal credit and collection functions—as well as a simple answer to the operating requirements of federal regulation. They combine three records in one for this job: credit authorizing index, refer authorizing record, and collection record. And because the new Kardex Administrator cabinet uses no critical material, they were able to make a prompt installation without priority certification.

If you'd like more details, including a list of more than one hundred users of this proved-in-practice system, just phone any one of Remington Rand's more than 200 branch offices. Or write to the Retail Store Department, Buffalo, New York. We will answer promptly.



Remington Rand Inc.

RETAIL STORE DEPARTMENT... BUFFALO, N. Y.

Please Mention The CREDIT WORLD When Writing to Advertisers

CREDIT DEPARTMENT LETTERS

• Aline E. Hower

"Be brief," says Carl Wollner, President, Panther Oil & Grease Mfg. Co., Fort Worth, Texas, in one of the best speeches on business letter writing that I have ever read. It was his talk delivered at the New Orleans Credit Convention.

"Be direct," goes on Mr. Wollner.

"Be yourself!"

"Visualize the person at the other end of the letter."

"Be friendly, above all else!"

"Our customers are our best friends. You must not put on a mask when you get ready to write a letter."

"You must not use hackneyed phrases."

"You must not use big words."

"You must not lose your temper!"

"You must not be too abrupt nor too curt."

"You must never ask a man *if* he will do so-and-so. Ask, 'how—when—which way, Mr. Smith, would you like to pay this bill? In two installments—one next Wednesday and one the Wednesday after?' Give him the choice between two things not between something and nothing."

"When your friends do something worth while, do you think of paying them a sincere compliment?"

In these points you have the full scope of better business letter writing. Everyone will do well to get out the August issue of *The CREDIT WORLD* and read Mr. Wollner's talk again.

Never in all our history has it been so important to be as brief as possible in order to make letters clearer and more efficient in every way. Mr. Wollner's second point helps us to be brief, when we are direct.

It is really hard to tell which one of Mr. Wollner's splendid points is most important. Not a single one should be omitted.

This Month's Illustrations →

Illustration No. 1 is an extremely attractive card printed on light blue stock with a medium blue border top and bottom. The design is outstanding, and the card most attractive. This is one of the clearest and most courteous references to Regulation W that I have seen. Surely no one could take offense at this card, and it should stimulate action and get results for E. M. Kahn & Co.

Illustration No. 2 from the Louis Appel Co., Credit Department, of Louisville, Kentucky, is another card, printed in black on white stock. Here the approach is altogether different from the card just mentioned, but it is extremely clear and most concisely worded. This just goes to show how it is always possible to vary the wording.

Gimbel Brothers, Inc., Credit Department, Milwaukee, Wisconsin, is responsible for *Illustration No. 3*. The structure is excellent. The opening, "Thank you, etc.," never grows old. Here is a message that should go a long way in building good will.

The same organization is also responsible for *Illustration No. 4*. It covers a part payment, and a reference to government regulations. This is most tactfully and concisely handled.

Gano-Downs, of Denver, use the "Courtesy Notice," *Illustration No. 5*. What a variety of ways these expert credit managers have used in putting over similar messages! This card is on white stock printed in dark blue ink. The wording is courteous, and the structure good.

Like a friendly greeting is *Illustration No. 6* from Rosenfield's, Baton Rouge. Mr. Louis Selig, Treasurer, is a faithful disciple of Mr. Wollner's point, "Be yourself." He is also an expert at the point, "Be friendly, above all else!" I might add still another point in which Mr. Selig excels—"Be original."

Don't you like the informal wording and the delightful illustration on this card which is printed on white stock in black ink?

Illustration No. 7 is printed with black ink on the powerful, action-impelling pink stock. This is a slip of paper most concisely and clearly worded, and efficiently arranged. It should do a splendid job for "The New Utica" of Des Moines.

"Second Notice of Default," *Illustration No. 8*, sounds properly ominous, and should attract the attention of the recipient. This slip of paper is printed with black ink on salmon stock, and is most noticeable, yet pleasing. As the preceding notice, it is right to the point, concisely and courteously worded, and efficiently arranged.

Whenever I see the name "Gold & Co." of Lincoln, Nebraska, as on *Illustration No. 9*, I think of my good friend, Mr. Fred R. Cox, of the Credit Department there, who has been so prominent in the credit field. Lincoln, Nebraska, is surely an up-and-coming city, and Gold & Co. is a grand institution.

Illustration No. 9 is most courteously, concisely, and clearly worded. It puts the burden of the responsibility exactly where it belongs, and does so in the first eleven words! This is excellent strategy in letter writing. The first few words of your letter give the first impression, which is important in every phase of human existence, but particularly so in letter writing. This card is printed in black on white stock and it should do a splendid job for Gold & Co.

Illustration No. 10 takes us back to E. M. Kahn & Co. It is a card similar to *Illustration No. 1*, but is printed on buff stock with a blue border top and bottom. Notice the gracious opening, the reference to the government regulation, the well-worded notice in the fine print italics in the lower right-hand corner.

All of these card notices are excellent, and from them I know you will gain many workable and helpful ideas for up-to-the-minute use.

DEAR CUSTOMER AND FRIEND:

A Charge Account enhances the pleasure of our business relations and enables us to render a more individual service than would be possible through any other medium.

To maintain this high standard of service we are obliged under Government Regulation "W" to require settlement of the amount shown which in the Order is now termed as being in "default." To this end we shall be grateful for the courtesy of your prompt cooperation.

"Default" Amount \$ 99.78
(As termed by Regulation "W")

Cordially yours,
E. M. KAHN & CO.
Department of Accounts

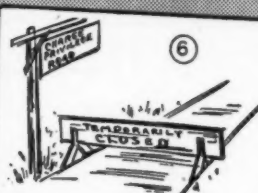
Should you desire longer terms on future purchases, our Credit Office will gladly explain how on a reasonable cash payment required by Government Regulation (though in some cases even this is waived), you may have the convenience of the Four Month Upgraded Pay Plan.

Mrs. K. L. Watson

6723 Anywhere Street

Gastonia, Texas

①



Yes, according to federal regulations governing charges, your account has been temporarily closed.

It can be reopened if you will send us your remittance of \$3.78... which by the way, is for purchases made in AUGUST 1942 or previous.

We're anxious to serve you. Won't you help us?

ROSENFIELDS

Should your remittance be in the mail, kindly disregard this notice.

Appel's

LOUISVILLE - KENTUCKY

②

GOVERNMENT CREDIT REGULATIONS

Under the Consumer Credit Regulation of the Government an account in default must be closed against further purchases of listed merchandise until such delinquency has been paid, or satisfactory written arrangements made.

Please contact our credit department with reference to the purchase(s) you have made in order that delivery may be made at the earliest opportunity.

Yours very truly,

LOUIS APPEL CO.
Credit Dept.

SCM

The New UTICA

The clothing corner of Iowa
DES MOINES

Since government regulations prohibit us from authorizing new charges where an account is in arrears we would appreciate your check for the overdue balance of \$56.23... so that normal use of your account may be resumed. If full settlement of this amount is not possible now please contact our credit department within the next few days.

Yours very truly,

The New UTICA

Mr. Paul T. Williams

7836 Whatcheer Drive

Farmington, New York

⑦

The New UTICA

The clothing corner of Iowa
DES MOINES

SECOND NOTICE OF DEFAULT

Your ledger still shows a balance of \$56.23... delinquent under the terms of Federal credit regulations. As a matter of protection to your good credit record, we courteously request prompt payment of the above amount.

We will appreciate your contacting our credit office if for any reason payment cannot be made within the next few days.

Yours very truly,

The New UTICA

Mr. Paul T. Williams

7836 Whatcheer Drive

Farmington, New York

⑧

If above payment has been made too recently to be posted, please disregard this notice.

Thank you for the payment of \$56.90.....

This brings your account up to date and we are pleased to inform you that the account is open for immediate use.

Believing that your charge account has added to your convenience in shopping at this store, we anticipate with pleasure the privilege of continuing to serve you in this way.

Very truly yours,

GIMBEL BROTHERS, INC.
Credit Department.

③

GIMBEL BROTHERS, INC.
Milwaukee

Thank you very much for the payment of \$ 25.00..... which we have credited to your account.

After allowing for this payment, there is still a balance of \$ 33.67..... which is in arrears under Government Regulations.

We hope you will find it convenient to forward the amount indicated above within the next few days so that we may continue to serve you promptly as heretofore.

④

Very truly yours,

GIMBEL BROTHERS, INC.

DEAR CUSTOMER:

Government regulations will not permit us to add to your account until its present overdue balance is paid. We believe you overlooked this new ruling when requesting that your recent purchase be charged.

We are required to obtain immediate payment covering this purchase. Your prompt remittance will be appreciated.

May we also request that your overdue balance be taken care of so that future charges may be accepted.

Yours truly,

GOLD & CO.

Lincoln, Nebraska

(Credit Department)

⑨

COURTESY NOTICE

We courteously call your attention to the fact that as of SEP 10 1942 your charge account is in default in accordance with the terms of the Federal Government Credit Regulations.

We feel sure that this is an oversight and that you will want to bring your account up to date promptly in order that your charge privilege may be reinstated.

If you cannot pay your account in full at this time, would you please contact our credit department so that some other arrangements may be made.

Paul Davis
SIXTEENTH & STOUT STS
DENVER

⑤

DEAR CUSTOMER AND FRIEND:

May we express our appreciation for the payment already made the month on your Charge Account?

The Government, however, in Regulation "W" requires that full settlement should have been made by the tenth of this month of the amount outstanding on the statement rendered forty days previous.

We show below the additional sum it is now necessary to be retained in order for your account to conform with the Provision which bans such subdivisions as "in default."

Again we thank you for the consideration you have always given to the prompt payment of your charge accounts and to assure you of our desire to cooperate with you in maintaining your customary excellent standing. Your early response will be most welcome.

Very truly yours,
E. M. KAHN & CO.
Department of Accounts

"Default" Amount \$ 49.74
(As termed by Regulation "W")

Mr. Washington T. Taylor

3609 Wilmington Avenue

Wilmington, Missouri

⑩

Should you desire longer terms on future purchases, our Credit Office will gladly explain how on a reasonable cash payment required by Government Regulation (though in some cases even this is waived), you may have the convenience of the Four Month Double Pay Plan.



The Collection Problem of the Professional Man

J. H. Suydam

The Toronto Credit Bureau
Toronto, Canada

THERE would appear to be no question as to collections being a problem to the vast majority of professional men and that the reasons are both beyond and within their control. The principal causes are the inability and disinclination to apply reasonable business methods in the conduct of their profession.

The ethics of the profession call for the rendering of services under certain circumstances even though the prospects for remuneration are practically nil. It also is not feasible on the part of the medical profession to conduct the same searching credit investigation as in effect among those engaged in commercial activities. The situation is somewhat different with the dental profession as there is not the same urgency for rendering treatment as the usual thing. There is also a feeling that it is unethical and not in line with expected and accepted custom, primarily in the early stages to bring any great degree of pressure to bear in the collection of their accounts.

The temperament and training of the majority of professional men are not conducive to putting into practice the steps that are necessary in order that their accounts are followed successfully. Certain of the steps are rather distasteful and at a variance with the dignity of their calling. There is also a feeling of resentment against spending valuable time in collections, which could be used to much better congenial advantage from the standpoint of productive practice, educational pursuits and recreation.

It is naturally impossible for all professional men to afford the services of a secretary. Invariably, when the volume of practice warrants the expense, it will not be found a real expense, but an investment paying returns in excess of her salary in improved collections and more free time to be spent to better advantage. For those whose practice is not sufficiently large to allow the cost, a solution might be found in a secretary whose services are shared with others.

This is a vitally important item in either the profession or business, but especially to the former. A practice is mainly built and maintained on the recommendations of satisfied patients and anything done whereby a feeling of ill-will is created, may have detrimental results considerably out of proportion to any immediate monetary gain achieved through adopting a too drastic attitude or policy. There is a happy medium in all things and a collection policy which not only obtains the money

but retains good will is possible of achievement. The customer or the patient whose account is decidedly in arrears invariably goes elsewhere for either goods or services and too lenient a policy results not only in frozen accounts receivable but a loss of potential business or practice.

"An account well opened is half collected" is a truism which pertains to both profession and business and the ability of business to definitely identify the debtor at a later date plays no small part in satisfactory collections and a low bad debt loss ratio. It should not be difficult to obtain such particulars as the full name of the patient and husband or wife, as the case may be, together with the occupation of the husband. Too many claims are placed in agencies' hands with merely the surname being available. John M. Jones, whose wife's name is Helen, and who is a carpenter by occupation, is a combination not duplicated in a city of a million people and no matter how many times Jones has moved since the services were rendered, his whereabouts and responsibility may be definitely confirmed.

When services are rendered to a married woman or to minor children, the account should be kept in the name of the husband. If you expect to hold a third party liable, a verbal promise to pay in case of default is not enforceable by law as it is a guarantee which must be in writing. Services may, however, be rendered to one party at the request of another, and through keeping the records and rendering the account in the name of the one to whom you expect to look for payment, the question of a written promise to pay does not arise. It is well to keep in mind that minors have no implied authority to bind their parents, even for medical and dental necessities, and the authorization, preferably of the father, should be obtained.

Charges for Service

It is rather difficult at times to come to a definite understanding as to the fee to be charged. When there is no doubt in the patient's mind as to what amount he is to pay at a later date, the rendering of an account is likely to be more productive of payment than if the amount of the fee comes as a surprise. \$100.00 before treatment has been given seems much smaller than at a later date when the benefits derived through successful attention may have been minimized. In the dental profession especially, opportunities are afforded to budget

the expense over a period of months, and a written understanding as to both price and terms simplifies collection procedure.

The initial step in the collection of an account is the submission of a statement, and care should be exercised in seeing that it is done at a time when the patient is in a fit physical and mental state to give it consideration. It is not conducive to either the building up of good will or prompt payment to have it arrive too early in the recovery stage or so long afterwards that time has dimmed the value of the services rendered. There is a happy medium which good judgment and knowledge of the patient's progress should determine.

The need to furnish an itemized account will decrease in proportion to the degree that a prior understanding has been arrived at as to the cost of the services. In the majority of cases at least, details are not necessary, but wording on the statement to the effect that they will be furnished on request is a worth-while gesture. Needless to say, the accounting records should be kept in such shape that full particulars can be made available if requested.

Prompt payment of an obligation is to a great extent a matter of education, and over the years the public has been led to believe that commercial organizations must be paid in accordance with definite terms, and that the professional man is in no hurry for his money, and settlement at some later date will suffice. Defining terms, especially with the medical profession, is difficult, but the handicap which has been brought about through the impossibility of adopting a similar understanding arrived at by the businessman when his goods are sold may be overcome through the adoption to a partial extent, at least, of his methods in following up the accounts.

Collection Follow-Up

It would be too drastic a departure from the usual practice of professional men to send a second statement or form notice within ten days of the first statement, and further form requests increasingly insistent at ten day intervals thereafter. On the first of the next month following, the second statement might well include a typed "Please," or "A remittance will be appreciated." If another month passes with no attention, the account is beginning to depreciate in value and also raises a bar against further services being rendered by the professional man to the patient.

Further steps should be governed by the duration and continuity of service, the size of the account, and knowledge of the patient's financial circumstances. There are both new and old patients in good circumstances with large and small accounts, and those in poor circumstances also with accounts both large and small. While there is potential goodwill in both classes, that of the older patients has been established and is of greater value. The value of the goodwill of new patients, especially those in good circumstances, decreases in proportion to the time it takes to collect, as failure to pay within a reasonable time is invariably a sign of some dissatisfaction and a decrease in the likelihood of further opportunities to serve. Failure to pay on the part of patients in poor circumstances is not necessarily a sign of the lack of ap-

preciation, but certainly a sign of the lack of desirability, especially if no effort whatsoever is made to retire the obligation. An outstanding account with the latter class invariably means going elsewhere for treatment.

At the start of the third month at least, no division of procedure is necessary for small accounts and the following notation typed on the statement should be productive, with no grounds for criticism. "The expense of rendering several statements for small accounts is rather prohibitive. May I please have your co-operation." Past performance is a valuable guide to future procedure with old patients, and merely another statement marked "Please" on the larger accounts with people in good circumstances should suffice. If their financial position is such that settlement in full can hardly be expected, a memorandum on the statement suggesting partial payment would probably be appreciated. "If it is not possible to take care of this account in full at this time, I will be only too glad to accept partial payments which meet with your convenience."

Further Steps in Collection Procedure

Similar requests can be sent to new patients, but the continuity of the follow-up should be more intense than with the old and to allow a further month to elapse before anything more is done nullifies your efforts and results. Several more or less mild requests at frequent intervals are more productive and less damaging to goodwill than less frequent and more definite demands. Accounts of older patients can be set ahead until the first of next month, but the larger accounts of new patients should be given attention on or about the 15th. Two and a half months have now elapsed and if there has been no response whatsoever, the patient is beginning to class himself as undesirable.

The professional men who have no secretaries, and even those who have, but whose accounts are numerous, will find it rather difficult and expensive to send out individually typed letters on the smaller claims and even on the larger accounts. In the earlier stages especially, there is no reason why letters obviously of a form nature should not be used. There is the further consideration that a form letter, while not having the same personal appeal and value of one individually typed, will bring results without offense being taken by those delinquent patients who are still in the desirable class and whose goodwill you value. What constitutes a small account is a matter of individual opinion and practice, but for the purpose of this outline, those of \$10.00 and over will be considered large and those under this amount, small.

Statements have now been sent on three occasions, and if a reply has been received, or a promise made, it is a matter of dealing with each case on its individual merits. Ample opportunity has been afforded for at least the courtesy of a response and the issue might well be faced. Further procedure will now be divided into the classes of new patients whose accounts are large, and who are known to be in poor circumstances, those who are more comfortably situated, and the small accounts of both. Similar divisions will be made on the accounts of old patients.

The necessity for medical or dental treatment is very often unexpected and no provisions can previously be made for the money to be available to take care of the expense. The full amount of the account cannot be paid and there may be some hesitancy in submitting settlement in part. A suggestion to this end may be appreciated and acted upon. A sample letter follows which, as previously mentioned, might well go forward on the 15th of the month following the despatch of the third statement.

\$-----
I realize that medical (or dental) expense is something for which no prior provisions can be made, and many of my patients find it impossible to take care of their accounts in full at one time.

If it would be more convenient for you to spread the payments over the next two or three months, I will be only too glad to co-operate with you. May I please expect word from you during the next few days as to what can be done.

If no reply is received by the first of the month, it is an indication of no real desire to pay and a demand in stronger terms should go forward.

\$-----
I can well appreciate your inability to take care of my account in full, and as mentioned in my recent letter am only too glad to co-operate in any reasonable plans of settlement which will meet with your convenience. It is rather difficult to understand why I have not received some word from you.

Will you kindly let me have a partial payment, at least, during the next few days and advise as to what arrangements can be entered into for the balance.

The account should be set ahead for further attention on the fifteenth. The other classes of accounts will now be considered.

Three statements have now been sent and as in effect with the class just mentioned, a reply or promise will have to be dealt with according to its individual merits. There may be some grounds for dissatisfaction on the part of the patient and the first letter should take this possibility into consideration.

Three statements have now been forwarded to you in connection with my account amounting to \$----- covering services rendered.

I feel sure that if payment has been withheld due to a misunderstanding between us, it can be cleared in a moment's conversation, and would appreciate your getting in touch with me by telephone.

Possibly it is due to an oversight that I have not received your cheque. May I please hear from you.

The account should now be advanced for further attention on the first of the month, and the next appeal should be of a nature with which no offense can be taken.

\$-----
It is unnecessary to send out many personal appeals to my patients for payment of their accounts, as they appreciate that it takes time which can be spent to better mutual advantage.

I endeavour to give them the best service of which I am capable at a fee that does not include the expense incidental to the follow-up of delinquent accounts. May I please have your co-operation.

The accounts should be set ahead for further attention on the fifteenth of the month. The small accounts of new patients will now be dealt with.

Three monthly statements have now gone forward and no response is an indication, in the majority of cases at least, of a lack of appreciation of the services rendered



TARGET FOR TONIGHT

... Your Business?

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Buy War Savings Bonds

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NATIONAL RETAIL CREDIT ASSOCIATION
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or a disregard of the obligation, with no real intention to pay. There is value to the goodwill of the former, but little to that of the latter. Efforts, however, should still be made to collect the account in an amicable manner and the last letter sent to the class previously covered might be used to advantage. The accounts should be set ahead for attention on the fifteenth of the month.

It is now the fifteenth of the month in the procedure outlined and the patients with large accounts have received three statements and two letters. Three and a half months have elapsed with no response. On the smaller accounts, a similar period has elapsed with 3 statements and one letter. They have all reached a stage of delinquency which requires very definite measures. There may be some valuable goodwill attached to a substantial percentage of them, especially those patients in supposedly good circumstances, and it is with this class that a secretary can go a long way toward making her services of a value in excess of her salary. It takes time and patience to contact a number of delinquent debtors by telephone and it is the exceptional professional man who will or can afford to give his accounts this attention. A high percentage of patients can be induced to pay at this stage through diplomatic telephone contacts with the minimum loss of goodwill.

A final effort for an amicable settlement should be made at this time, but if unproductive, the sooner the issue is faced, the better. It applies to the three different classes of accounts. A suggested letter follows.

I have afforded you every possible opportunity to take care of my account in an amicable manner. Why it has not been given attention, I cannot understand.

What would you do if someone was obligated to you and neither paid nor gave any explanation for the failure to do so?

You would do what I will be compelled to do unless your cheque is despatched at once.

To place the accounts in the hands of an agency for collection at this stage will result in unnecessary expense, as a certain percentage of them can still be collected at less cost than the commission paid the agency. Stickers as outlined below can be used to advantage on the small accounts. They can be obtained from your credit bureau.

The attached account has been forwarded to you on several occasions, and unless some definite arrangements for settlement are entered into on or before the date mentioned above, it will be placed for collection with

THE TORONTO CREDIT BUREAU

It is rather an unpleasant duty to send you this notice, but it should be realized by you that professional men are under heavy daily expense which must be met, if they are to render the services demanded of them.

A form letter service can also be made available from the bureau which will be found productive on the more substantial accounts. There should be no delay, however, in forwarding the claims for collection if these last resorts are not productive.

A satisfied patient is a valuable asset, and everything possible should be done to collect the account and retain goodwill. This might be most readily accomplished by taking into consideration financial circumstances, past performance in the care of obligations, and stressing the personal element. A brief notation on the monthly statement of a personal nature, combined with a suggestion for payment over a period, especially with the accounts of

patients in poor circumstances, will be more productive than a letter and require much less time and effort. It is with the accounts of old patients that an efficient and courteous secretary can make herself invaluable and those professional men who do not have secretaries should make time to contact them.

Those who can pay, will, and those who are absolutely unable to do so might well be carried until such a time as their financial circumstances permit payment being made. The test of the latter is their true position, with which the professional man should be conversant if they are in the class of old patients. If it appears that they should be able to pay but won't, their goodwill value decreases in proportion to the degree of delinquency and steps to enforce settlement should be taken. The procedure as outlined for new patients will apply.

The accounts of new patients have now been dealt with, up to the time when the professional man's own efforts were unproductive and they should be placed in other hands for collection. The procedure for old patients' accounts covered the forwarding of three monthly statements, and any reply must be handled according to its merits. For the purpose of this outline, it will be assumed that no response has been made.

Value of Good Will

The value of goodwill cannot be too strongly stressed, as it is mainly upon this factor that successful practice is built. The test of its value is primarily based on the degree of co-operation extended by a patient in the care of his obligation. If there is no tangible evidence to this end, its value can be discounted in proportion to the delinquency of the account.

While there is no real excuse for neither paying a small account nor explaining the grounds for withholding settlement, the fact remains that many valuable patients will postpone payment to a more opportune time, which does not materialize.

Three statements have now been despatched, with a notation requesting payment on the last. Telephone contact might well be made now, and a record kept of the result of the conversation so that it can be followed intelligently if a promise to pay at a certain date is not adhered to. This requires a system whereby the accounts will be automatically brought up for attention at desired dates.

It is impossible to give delinquent accounts proper attention if they are followed once a month only and some system is necessary whereby contacts can be made at pre-determined dates during the month. This is in accordance with promises given and the need for more frequent demands if satisfactory results are to be obtained.

Folders marked from one to thirty-one are simple in operation with copies of the statements or letters as the information medium. As an illustration of the procedure, the promise to pay a small account on the 10th of the month was obtained on the 1st by telephone. Notation to this end will be made on a copy of the statement, which would be placed in folder number eleven. On this date the debtor could be contacted along with other delinquents whose accounts would also come up for attention.

(Turn to "Professional Man," page 18.)

August, 1942

The Collection

DISTRICT AND CITY	DEPARTMENT STORES (Open Accounts)						DEPARTMENT STORES (Installment Accounts)						WOMEN'S SPECIALTY STORES						FURNITURE STORES (Installment Accounts)						ELLY S
	1942			1941			1942			1941			1942			1941			1942			1941			
	AV.	HL.	LO.	AV.	HL.	LO.	AV.	HL.	LO.	AV.	HL.	LO.	AV.	HL.	LO.	AV.	HL.	LO.	AV.	HL.	LO.	AV.	HL.	LO.	
Boston, Mass.	55.6	56.6	51.6	42.6	47.8	31.5	20.5	23.5	17.4	17.0	17.5	13.0	57.8	66.6	50.8	49.7	58.9	40.7	—	—	—	—	—	—	
Lynn, Mass.*	—	—	—	54.0	59.0	43.9	—	—	—	39.2	43.1	35.3	—	—	—	—	—	—	—	—	—	25.6	27.2	24.0	
Springfield, Mass.	71.7	77.2	66.2	57.4	61.3	53.5	20.9	22.7	19.0	17.0	17.5	16.4	—	79.4	—	—	59.5	—	—	—	—	—	—	—	
Worcester, Mass.	66.8	71.2	63.5	42.1	44.3	40.1	24.9	25.7	24.1	19.8	21.0	18.7	56.9	59.0	54.8	38.0	40.1	36.0	—	—	—	—	—	—	
Providence, R. I.	48.8	65.7	42.3	44.1	53.6	42.6	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	12.0	—	
New York City	51.0	63.0	42.3	44.2	52.0	35.4	21.5	53.7	15.5	19.4	36.7	11.7	47.5	55.9	46.6	39.5	40.4	33.5	—	—	—	—	—	—	
Syracuse, N. Y.	55.5	67.7	46.3	38.4	46.3	37.9	19.6	30.5	18.7	15.5	22.2	13.0	—	61.1	—	—	40.5	—	—	—	—	—	—	—	
Pittsburgh, Pa.*	—	—	—	45.0	49.4	40.6	—	—	—	—	17.2	20.2	12.5	—	—	—	45.1	49.4	40.6	—	—	—	—	—	
Reading, Pa.*	—	—	—	55.9	57.7	54.2	—	—	—	—	—	18.3	—	—	—	—	50.0	—	—	—	—	—	—	—	
Washington, D. C.	56.8	65.6	50.5	39.3	42.3	35.5	20.0	23.3	15.9	15.3	18.1	12.9	—	—	—	—	—	—	—	—	—	—	—	—	
Baltimore, Md.*	—	—	—	40.9	46.9	32.2	—	—	—	—	19.8	30.2	11.2	—	—	—	39.2	43.8	34.4	—	—	—	—	—	
Huntington, W. Va.	70.4	71.5	69.3	51.0	58.0	44.0	19.0	20.0	18.0	14.8	16.3	13.3	—	—	—	—	33.5	—	—	—	—	—	—	—	
Birmingham, Ala.*	56.2	60.9	46.0	40.0	44.6	32.0	22.8	26.1	17.3	16.6	19.9	13.0	52.2	61.6	42.0	48.9	57.9	40.0	16.8	19.5	14.6	11.4	13.6	9.0	
Atlanta, Ga.	44.8	46.0	43.6	34.0	34.9	33.2	16.2	17.5	15.0	12.7	14.0	10.9	41.9	53.4	33.5	32.0	35.4	27.7	14.6	17.1	11.5	10.5	11.1	9.0	
Little Rock, Ark.	49.3	60.6	38.1	35.3	38.1	32.6	23.1	27.4	17.7	13.5	24.9	11.8	—	—	—	—	41.2	—	—	—	—	—	—	—	
Kansas City, Mo.	81.2	82.1	80.4	73.1	76.8	69.4	—	29.9	—	—	20.5	—	63.4	71.1	59.9	50.3	55.5	39.8	—	—	—	—	—	—	
St. Louis, Mo.	65.8	76.2	61.9	54.7	60.9	46.9	24.8	30.1	22.1	19.2	23.5	16.2	54.1	68.4	45.7	42.7	52.4	37.6	—	35.2	—	—	—	23.1	
Louisville, Ky.	63.0	65.8	60.2	46.7	51.9	41.4	23.1	25.3	20.0	16.6	18.2	14.2	51.3	57.0	47.1	41.7	47.9	38.3	17.5	21.0	14.0	12.3	15.0	9.0	
Detroit, Mich.	71.8	83.4	56.9	51.8	68.4	38.4	33.9	38.3	29.6	23.1	26.6	17.1	62.4	66.4	60.5	48.8	55.0	43.5	—	—	—	—	—	—	
Grand Rapids, Mich.	61.1	63.3	59.5	43.5	47.2	37.3	22.3	22.7	21.9	16.0	16.3	15.6	46.9	56.8	39.5	44.4	55.8	34.5	24.2	33.7	12.2	21.3	28.2	13.0	
Cincinnati, O.	67.7	71.5	63.8	50.7	58.7	44.4	23.0	32.1	17.3	16.0	24.3	12.4	50.9	62.0	30.0	44.4	54.6	36.6	—	—	—	—	—	—	
Cleveland, O.	63.5	66.4	58.9	49.7	56.3	45.1	29.2	31.2	21.1	21.8	27.6	17.5	51.6	56.7	50.5	42.7	47.5	41.1	15.0	25.4	13.0	10.7	18.0	9.0	
Columbus, O.	70.4	78.0	62.8	45.9	50.2	41.6	24.6	36.7	20.5	15.6	22.7	12.2	63.3	70.5	55.5	50.3	56.9	35.1	16.2	16.2	16.2	10.9	10.9	10.0	
Toledo, O.	65.4	70.0	57.0	43.7	47.5	40.3	22.3	27.5	16.6	16.4	21.0	12.2	53.8	54.0	50.0	—	42.3	—	—	—	—	—	—	—	
Youngstown, O.	—	61.6	—	—	—	—	—	—	21.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Milwaukee, Wis.	66.1	68.6	59.4	53.3	54.3	47.3	30.0	30.7	29.4	22.4	22.7	22.2	57.5	63.8	28.1	38.5	50.5	25.0	22.4	23.0	21.9	11.3	12.7	9.0	
Cedar Rapids, Ia.	70.0	83.0	60.0	57.4	66.0	50.0	28.5	30.0	27.1	21.1	21.6	20.7	—	—	—	—	—	—	—	—	—	—	—	—	
Davenport, Ia.	—	67.6	—	51.3	51.3	51.3	—	23.0	—	—	15.1	16.3	13.8	—	—	—	—	—	—	24.6	—	—	18.8	20.6	
Des Moines, Ia.	58.3	72.4	50.1	46.0	48.3	41.6	—	16.7	—	—	11.4	—	51.0	81.0	48.8	40.5	58.9	32.4	—	—	—	—	—	—	
Sioux City, Ia.*	—	—	—	40.5	47.2	40.0	—	—	—	—	15.4	21.7	15.3	—	—	—	35.0	—	—	—	—	—	—	—	
Minneapolis, Minn.	82.4	84.4	79.3	63.8	67.4	60.8	29.3	31.1	24.8	20.6	22.6	16.4	—	86.9	—	—	64.7	—	—	—	—	—	—	—	
St. Paul, Minn.	64.2	80.4	45.7	51.0	57.6	45.7	28.4	51.3	17.6	35.4	63.0	12.7	58.5	65.9	49.0	46.8	56.3	35.0	—	—	—	—	—	—	
Omaha, Neb.	—	57.4	—	—	43.0	—	—	19.7	—	—	13.8	—	54.4	59.3	47.3	44.5	46.7	42.4	—	—	—	—	—	—	
Oklahoma City, Okla.*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Tulsa, Okla.	66.0	82.2	47.9	57.1	60.0	54.1	23.5	31.1	16.5	17.9	24.0	11.7	60.7	67.0	56.2	40.5	50.5	33.0	—	—	—	—	—	—	
San Antonio, Tex.	53.2	58.8	46.2	39.5	44.2	33.6	11.9	12.6	10.9	—	9.1	—	53.2	56.9	46.2	36.0	42.0	33.0	15.9	18.0	14.2	10.3	11.6	10.0	
Denver, Colo.	59.4	60.8	53.4	45.1	47.9	44.4	22.8	29.1	18.7	15.9	26.3	13.8	57.1	59.2	50.5	45.5	46.8	45.1	—	12.3	—	—	—	9.0	
Salt Lake City, Utah	73.0	82.3	68.3	53.7	63.4	47.0	31.9	40.9	26.7	21.8	29.9	17.7	—	—	—	—	—	—	—	—	—	—	—	—	
Casper, Wyo.	90.1	114.7	65.5	—	43.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	29.0	
Spokane, Wash.	81.1	91.0	71.3	46.3	56.7	36.0	17.2	23.7	14.9	12.5	14.4	11.5	49.0	57.0	32.8	50.8	54.0	47.6	—	—	—	—	—	—	
Los Angeles, Calif.*	—	—	—	62.2	65.4	56.6	—	—	—	—	17.9	20.2	17.1	—	—	—	47.0	52.3	41.5	—	—	—	—	—	
Oakland, Calif.	70.3	73.5	63.9	50.9	51.7	46.1	22.3	42.2	19.7	17.9	28.9	15.7	—	65.0	—	—	40.2	46.8	33.7	—	33.1	—	—	21.6	
San Francisco, Calif.	57.5	76.7	53.2	40.6	55.0	37.0	27.3	33.4	22.6	16.6	22.2	14.4	48.0	51.6	39.2	31.9	36.6	26.9	—	—	—	—	—	—	
Santa Barbara, Calif.	60.7	69.8	51.0	47.8	54.1	35.1	—	—	—	—	—	—	52.8	53.3	52.0	44.3	49.3	36.5	—	—	—	—	—	—	
Vancouver, B. C.	88.7	102.8	74.6	58.9	63.2	54.7	45.0	57.2	32.7	28.3	33.9	22.6	—	—	—	—	35.0	—	—	23.0	25.0	21.0	21.0	22.0	
Victoria, B. C.	88.0	90.6	85.5	68.5	78.3	58.8	28.3	29.4	27.2	20.7	21.9	19.5	—	—	—	—	—	—	—	—	—	—	—	—	
Ottawa, Ont.*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	

* 1942 figures not received at press time
 ° Installment

August, 1941-

COMPILED BY RESEARCH DIVISION, NATIONAL RETAIL CREDIT ASSOCIATION

²⁴Electrical Supplies
²⁵Dental Supplies

OCTOBER 17 CREDIT WORLD

It is vital in the successful collection of accounts without injury to goodwill, that it always be kept in mind that comparatively mild requests at more frequent intervals attain this end, whereas more drastic demands at less frequent intervals have the opposite effect.

The professional man whose practice does not warrant the expense of a secretary should find time to use the telephone. If he is too busy, the chances are that he cannot afford to be without a secretary. Through the follow-up of a few accounts each day, a substantial number of contacts can be made during the course of a month.

There will be a certain percentage of small account patients who cannot be contacted by telephone. The expense of individually typed letters is rather prohibitive and form letters can be used to advantage.

When several promises have been made to pay a small account and they have not been kept, one of three general conclusions can be reached: the patient is in very straitened circumstances; he has some complaint as to the services which he hesitates to mention; or notwithstanding previous satisfactory relationship, he has developed a delinquent complex.

The more conversant the professional man can be as to the type of patient and his financial circumstances, the better equipped he is to deal intelligently with the three foregoing cases. A sample letter for each of the first two follows.

1. I know that there must be some reason beyond your control which explains why you have not taken care of the attached account, and that as soon as conditions permit, it will be given your attention.

I am making notation on my records to this end so that no more statements will be forwarded to you. If, in the meantime, I can be of service, do not hesitate to call on me.

2. Although I have not been made aware of the circumstances, I feel sure that there must be some reason why my account, as covered, by the attached statement, has not been given attention.

Rather than have it be the cause of any misunderstanding between us, I am cancelling the charge.

In a certain percentage of cases, these letters will be productive of payment either immediately or at some future date. Goodwill has been maintained to some extent at least, and especially with patients in the second class, in good circumstances, further opportunities of service may be afforded.

To the accounts of the third class, a statement with the "sticker" attached might well be sent and if no response is made, it should be either placed for collection or written off. It is sometimes more profitable to write off an account than to place it unsuccessfully for collection and lose all semblance of goodwill. It is practically impossible to collect small accounts where there is some form of dispute.

Reading this magazine carefully and regularly will contribute to your success as a Credit Executive

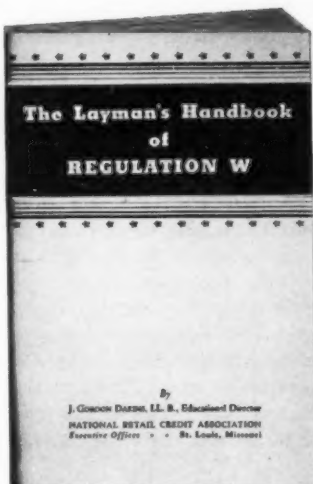
The professional man whose practice contains a high percentage of patients who are financially unable to meet their obligations, has a serious problem on his hands. He cannot do justice to himself, his family or his patients if handicapped by financial worries owing to his inability to collect a reasonable percentage of his accounts. The patient who really tries to pay is worthy of every consideration. Lack of attention may be due to an impossible financial situation and the more conversant you are with the true facts, the more intelligently can the account be handled. It is with this type that there is a considerable scope for encouraging payment through instalments. Definite arrangements to this end, including a systematic follow-up if not adhered to, successfully concludes the collection of many claims which would otherwise develop into bad debts.

Credit Reports

The credit reports of the bureau can be of considerable help in arriving at a decision as to what steps should be taken to collect the account. These reports will not only include earning capacity and dependents, but in the majority of cases a definite summary of what is being purchased around the city and how these accounts are being met. If it is shown, for example, that an old patient is paying his retail accounts, including such things as a radio, there would appear to be no question that he should also be able to do something on his professional accounts, and he cannot be considered among those patients whose goodwill is worth retaining through allowing the account to remain in a more or less dormant state.

This class is the cream of a practice, and as people usually associate with their equals from a social and financial standpoint, it is the medium by means of which other desirable patients are obtained. Invariably, they pay their bills in a reasonably satisfactory manner and failure to do so should be put to the financial test before any drastic demands are made. Are they able to pay, and is failure to do so owing to some dissatisfaction with the services rendered? Your own knowledge may answer the question, but if in doubt, a credit bureau report will enable you to classify them. If they really are in good circumstances, and have a satisfactory record for the care of obligations, every possible effort should be made to ascertain and adjust the grounds for dissatisfaction.

To endeavor to adjust a dispute or complaint through correspondence is difficult, and while a telephone conversation is better, personal contact is by far the best. Every old patient in comfortable circumstances has potential value not only from the standpoint of further services to him, but to his friends and relatives. This value is further enhanced when consideration is given to the possibility that his dissatisfaction may be transmitted to other patients with whom he is acquainted. As calls are being made in a district, a few extra minutes spent on the way in personally interviewing a delinquent patient may result in not only a satisfied patient, but a satisfactory account.



Does Regulation W permit the use of coupon books?

Can interest be charged on past due charge accounts?

Is the required down payment on a floor lamp 20% or 33 1/3%?

What is the difference between "instalment credit" and "instalment sale"?

What rules govern "add-ons"?

How are 30-60-90 day accounts handled?

How are letters and notices worded to comply with the Regulation?

How long can an instalment account be overdue and still enable new instalment charges to be added?

How many times can you renew a pre-May 6 single-payment loan?

When is a statement of borrower required?

What factors must be present before you can accept a statement of necessity?

How do you consolidate a converted charge account with an existing instalment contract?

What transactions are exempt from the Regulation?

What rules cover lay-aways?

Does credit covering repairs to a fur coat come within the Regulation?

Are pencils and fountain pens listed articles?

How are "charge takes" and "charge sends" authorized in accordance with the Regulation?

What is meant by "default" and "cure"?

★ ★ ★

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192 Pages

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City _____ State _____



In the city in which he made his home for nearly fifty years, Richard Henry Poindexter of Nashville, Tennessee, passed to his reward on September 4, 1942. He died in line of duty, at his desk in the store with which he had been connected for thirty-five years.

He was formerly Credit Manager and Controller of Loveman, Berger & Teitlebaum, Inc., and in later years served as Controller only.

It was my privilege to have known "The Colonel," as he was called by his many friends, for more than twenty-five years. In 1916 I learned of the National Association through Mr. Poindexter, who was then its Treasurer. The complete information about the National Association and its objectives, together with material supplied by him, enabled me to bring into the National family the full membership of the Dallas, Texas, Association. For the next several years, as we organized associations in the South and Southwest, they were automatically made National members.

Mr. Poindexter, a charter member of the National Association, was a member of its first Board of Counsel, and was elected Treasurer in 1914, serving for two years. For many years he did not miss a National Convention and until the last, on the occasion of my visits to Nashville, he was interested in discussing National Association affairs, its progress and accomplishments, and particularly his friends of the "Old Guard" in the credit fraternity.

As dean of the credit men in his city and state, he was loved by all who knew him. He was responsible for organizing the Nashville Association in June 1912, was its first President and subsequently, in 1920, founded the merchant owned credit bureau in his city.

To Mrs. Poindexter, to his daughter Mrs. Walters and to his two grandsons, Richard and Dallas, we extend our heartfelt sympathy in their great loss.

L. S. Crowder



The Book Shelf

The Control of Customer Returns (Bureau of Business Research, University of Michigan, Ann Arbor, Mich., 107 pages, \$1.50)—A critical examination of store policies in handling returns in Department and Specialty stores, by Edgar H. Gault and Charles S. Goodman. This monograph is the result of a study of merchandise returns by customers of department and specialty stores, principally in Detroit, Mich. Many phases of the return problem were investigated primarily to test procedures which might be used by a store in its efforts to control returns. These tests have led to tentative conclusions which offer a new approach to the problem and which can be used beneficially by many stores.



Term Lending to Business (National Bureau of Economic Research, Inc., 1819 Broadway, New York City, 163 pages, \$2.00)—This volume by Neil H. Jacoby and Raymond J. Saulnier is an account of an important development in the financing of business. The first in a series on business financing, this study makes a critical examination of term lending, its market, the credit standards and practices relevant to it, its use by borrowers, and its problems for lending institutions.



Operating Results of Department and Specialty Stores in 1941 (Bureau of Business Research, Harvard University, Soldiers Field, Boston, Mass., 62 pages, \$2.50)—This report, written by Professor Charles A. Bliss, presents a picture of the department store trade in the midst of the whirl of activity generated by war spending. The tabulations offered in this bulletin reflect a peak in volume and profits attained prior to the widespread imposition of controls and restrictions deemed necessary to curb inflationary tendencies. These tabulations are based on reports from 492 companies operating 651 stores making total sales in 1941 of \$2,071,500,000.



Successful Credit Department Letters, Volume 2 (National Retail Credit Association, Shell Building, St. Louis, Mo., 32 pages, in preparation, \$1.50)—The widespread sale of the original work together with the demand for more outstanding examples of credit and collection letters has resulted in the preparation of Volume 2. This new booklet presents a number of new credit department letters and forms selected from recent issues of *THE CREDIT WORLD*. In addition, special attention is given to Regulation W by providing illustrations of effective and practical letters for use under the new credit regulations. Practical hints on letter writing are also included, and credit granters will find in this extremely timely book many new ideas that they can put into practical use in handling their business correspondence during wartime.

Regulation W RECOMMENDATIONS

The National Office appreciates the Action of the Retail Credit Association of Pittsburgh when, at a recent meeting, the following Resolution was adopted approving the N. R. C. A. Resolution adopted at the New Orleans Convention:

WHEREAS, the National Retail Credit Association was successful in having the Honorable Ronald Ransom, Vice-Chairman of the Board of Governors of the Federal Reserve Board, and his associates, Dr. C. E. Parry of Washington, D. C., and Lloyd B. Raisty of the Federal Reserve Branch of Atlanta, Georgia, to attend its national convention at New Orleans, Louisiana, in June, 1942, and

WHEREAS, the National Association has cooperated and has been helpful in promulgating Regulation W and has kept on the alert to make certain that the Regulations would be in keeping with recognized trade practices, and

WHEREAS, the National Retail Credit Association has made several important recommendations for consideration in future amendments, some of which are:

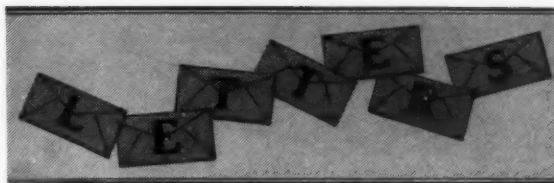
1. A grace period of *three days* after the *default* date, in order that merchants may have an adequate period of time in which to determine that accounts are actually in default.
2. The authorization of "charge-sends" of a cash price of \$5.00 or less under the same circumstances as are at present permitted with "floor authorizations" under Section 5-F.
3. Elimination of necessity to consider charge accounts in default when the amount in default is \$2.00 or less.
4. The purchase of merchandise with the understanding that the customer may pay one-half one month and one-half the next month, not *later* than the *default* date, and not be considered an installment account.
5. To permit stores to make deductions from employees' wages to apply on employees' deduction charge accounts, the accounts not to be considered on an installment basis, although the deduction may be made on a weekly or semi-monthly basis—not to be extended beyond the 10th of the second month following purchase.

BE IT RESOLVED that we recommend the adoption of the aforesaid proposals;

WHEREAS, the National Retail Credit Association has been first in presenting to its members official interpretations of amendments that have been issued; and has been instrumental in having considered important legislation and in having made suggestions for changes in proposed legislation; and has always been helpful in advancing the best interest of the *retail merchants* of the entire country, the Credit Managers, Collection Managers, credit bureaus and agencies; and

WHEREAS, much of the success in the cooperation enjoyed among the individual credit managers and bureau managers is due to the untiring efforts of the National Retail Credit Association; therefore,

BE IT RESOLVED that L. S. Crowder, General Manager-Treasurer of the National Retail Credit Association,



"One of the greatest benefits I have received from my breakfast club work is the monthly issue of *The CREDIT WORLD*. I eagerly await its coming each month and read it from beginning to end. I should like to see every Breakfast Clubber become a member of the National Association and receive *The CREDIT WORLD* regularly."—Nina M. Shaw, President, Raleigh Credit Women's Breakfast Club, Raleigh, N. C.

"We have recently had the opportunity of examining a copy of *THE LAYMAN'S HANDBOOK OF REGULATION W*, and are very much impressed with its contents. Please send us three copies of this Handbook."—C. R. Register, Cashier, First National Bank, Valdosta, Ga.

"We have received your booklet *The Layman's Handbook of Regulation W* and feel that it is very helpful. It clears up many of the practical operating problems faced by persons subject to the provisions of Regulation W and seems to us to be particularly valuable through the use of concrete examples."—R. R. Williams, Head of Consumer Credit Department, Federal Reserve Bank of Philadelphia, Philadelphia, Pa.

"We have received your booklet *THE LAYMAN'S HANDBOOK OF REGULATION W* and are pleased to say that our store managers find it very enlightening. You are to be complimented on furnishing the trade with a book of this type. Keep up the good work."—M. W. Margolis, President, Columbia Family Clothiers, Milwaukee, Wis.

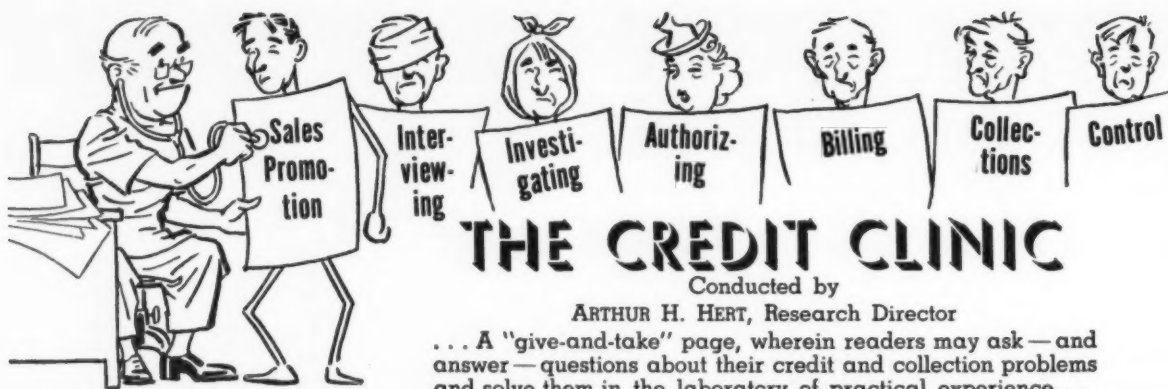
"I wish to acknowledge receipt of my membership card and the supply of collection helps which I assure you are appreciated. It is a pleasure to know that when difficult problems arise, your Association will be glad to help and I am more than happy to be a member of the National Retail Credit Association."—V. M. Thompson, Rock Island, Ill.

"*THE LAYMAN'S HANDBOOK OF REGULATION W* is the best book I have had the privilege of examining on this subject."—C. B. Currey, General Manager, Remedial Loan & Finance, Connersville, Ind.

"There isn't a single subject I am confronted with during the course of a day's business as much as Regulation W. So, quite naturally, anything that clarifies and simplifies, as your new Regulation W booklet does, is welcomed with opened arms. It shall continue to occupy a prominent place on my desk."—G. G. Johnson, Office Manager, Sterchi Brothers Stores, Jacksonville, Fla.

"I have every confidence in the fine management of the National Office. It appears to me that you are rendering an excellent service which is invaluable to business. *The CREDIT WORLD* is the best ever."—J. L. Owens, Credit Manager, Miller & Paine, Lincoln, Neb.

and his staff, and R. P. Shealey, Washington Representative, be commended for the excellent results accomplished in furthering the interests of the whole membership and of the retail credit business; and BE IT FURTHER RESOLVED that the Retail Credit Association of Pittsburgh hereby voices its approval of the results accomplished; and that these resolutions be recorded in the minutes of this meeting, and copies sent to Mr. Crowder, Mr. Shealey, John A. Schmidt of the Pittsburgh Branch, Federal Reserve Bank, and to the Honorable Ronald Ransom.



Effects of REGULATION W in Department Stores

IN AN EFFORT to provide a complete picture of the effect Regulation W has had on retail credit, our National Office made two surveys—one of the leading department stores of the country, and the other of men's wear stores—to ascertain the various experiences with the new rules and the methods adopted to meet the changing conditions. This month we give you the results of our department store survey, and next month we will publish a summary of the men's wear store experiences. This summarized data should act as a guide to assist credit granters in maintaining a high standard of efficiency in their credit departments.

Questionnaires were mailed to 165 department store members by the Research Division with the following results:

Returned	93	56.4%
Not returned	72	43.6%
Total	165	100.0%

In the same order that the questions were asked on the form sent to our members for this purpose, we present here the results of this definitely revealing study:

1—Billing

(A) Do you bill on calendar month basis?

Calendar month	91	97.8%
Skeletonized cycle billing	2	2.2%
Total	93	100.0%

(B) Do you use stickers with statements that have a balance forward?

No sticker or stamp used	43	46.2%
Stickers or inserts used	38	40.9%
Rubber stamp used	11	11.8%
No reply	1	1.1%
Total	93	100.0%

2—Defaulted Accounts

(A) How soon after the 10th can you ascertain all accounts which are in default?

One day	69	74.2%
Two days	12	12.9%
Three days	7	7.5%
Four days	3	3.2%
Five days	1	1.1%
Ten days	1	1.1%
Total	93	100.0%

(B) What percentage of your accounts were in default on July 10?

1.0 to 9.9%	9	9.8%
10.0 to 19.9%	34	36.5%
20.0 to 29.9%	34	36.5%
30.0 to 36.0%	4	4.3%
45.0%	1	1.1%
Did not know	11	11.8%
Total	93	100.0%
Median percentage		19.0%

(C) How do you signal defaulted accounts?

Colored tab on index	64	68.8%
Listed separately	12	12.9%
Direct ledger reference	10	10.8%
Age analysis	4	4.3%
No signals	3	3.2%
Total	93	100.0%

(D) Are your defaulting charge customers refused credit on listed articles only?

No	76	81.7%
Yes	17	18.3%
Total	93	100.0%

(E) How do you remove the restriction promptly when a default has been cured?

Signal removed	81	87.1%
Ledger sheet marked	10	10.7%
No reply	2	2.2%
Total	93	100.0%

(F) What percentage of your defaulted accounts have been cured by conversion?

None	7	7.5%
1.0%	43	46.3%
2.0%	4	4.3%
5.0%	8	8.6%
7.5%	6	6.4%
10.0%	6	6.4%
12.0%	1	1.1%
25.0%	3	3.2%
30.0%	1	1.1%
60.0%	3	3.2%
75.0%	1	1.1%
Do not know	10	10.8%
Total	93	100.0%

3—Authorization

(A) What system of authorization do you now use?

Card system	42	45.1%
Tube or telephone	42	45.1%
Direct ledger reference	7	7.6%
Age analysis	2	2.2%
Total	93	100.0%

(B) Is this a revision of previous policy?

No	79	84.9%
Yes	14	15.1%
Total	93	100.0%

(C) Has the necessity of authorizing all "charge-sends" meant additional staff and expense?

No	52	55.9%
Yes	41	44.1%
Total	93	100.0%

(D) Have you had many unauthorized "charge-takes" of \$5.00 or less?

No	53	57.0%
Yes (few)	40	43.0%
Total	93	100.0%

4—Customer Reaction

(A) Have your charge sales decreased or increased?

Decreased	72	77.5%
Increased	10	10.7%
No change	11	11.8%
Total	93	100.0%

Lowest decrease in July	1.9%
Median decrease in July	10.0%
Highest decrease in July	37.9%

(B) Have your collections decreased or increased?

Increased	88	94.6%
Decreased	5	5.4%
Total	93	100.0%

Lowest increase in July	2.5%
Median increase in July	16.0%
Highest increase in July	58.0%

5—Additional Remarks

Atlanta, Ga.—"As a rule, our customers are very cooperative and enthusiastic over the new changes and think they should have happened long ago."

Baton Rouge, La.—"Our age analysis has certainly proved its worth in working out this regulation. We make two copies—one for the authorizer and the other for the credit manager. It is arranged alphabetically, each letter is separated and in some instances broken down into two or three parts. Having to look up every account has naturally made the authorization much slower and we do not know of any other method that would give us as complete a record or so easy a reference."

Boise, Idaho.—"We found the public very willing to cooperate with the new regulations. Hitherto 'untouchables' either paid up or came in and arranged on a payment basis. Even in June we were agreeably surprised at the number of slow accounts that were liquidated."

Cleveland, Ohio.—"We should be relieved of the necessity of making credit authorization of all charge-sends. We should be given a breather up to \$5.00. In addition, we should not be compelled to freeze all accounts but should freeze only those accounts over \$5.00. Then, too, Regulation W has been expensive for us. We were compelled to hire 21 additional clerks resulting in an increase of 20.55 per cent salary expense over last year."

Jackson, Mich.—"Regulation W is working fine for us. We have had very few complaints and have cleaned up quite a few accounts ninety days past due or older."

Lincoln, Neb.—"Our customers are cooperating in a remarkable manner and it is not necessary to send many notices on charges made after default. We send our notice of default in advance with regular monthly statements."

Memphis, Tenn.—"This regulation is like something from heaven. Collections are easier and better. We do not have any slow paying 'pet' customers. It is really a credit man's dream come true."

Oakland, Calif.—"Our customer reaction has been very satisfactory."

Oklahoma City, Okla.—"We like Regulation W and are complying with it one hundred per cent."

Roanoke, Va.—"Our greatest trouble is educating customers about Regulation W; however, this is clearing up somewhat and in a few months our worries will be much less."

Spokane, Wash.—"I think that a charge account should not be in default on a balance of \$5.00 or less, and that weekly deductions of employees' accounts should be permitted, provided that no amount is owing beyond the tenth of the second month with the down payment requirement, and payment of an account in two or more payments before it becomes in default is not installment credit and should not require a down payment."

St. Paul, Minn.—"Generally speaking, we have experienced little or no difficulty with Regulation W."

Wichita, Kan.—"Except on large sales days, our policy has been to authorize every charge sale and we still do. We have not used the floor authorization privilege in order to accept some preferred charges."

6—Conclusions

From the above statistics and information, we can conclude that:

1. Practically all of the department stores included in this survey bill on a calendar month basis.

2. No sticker or stamp of any kind was used on statements that have a balance forward, by less than half of the stores; while more than half used a sticker, insert or stamp in one form or another.

3. The majority were able to ascertain the accounts which were in default, within two days after the tenth of the month.

4. On an average 19 per cent of the accounts were in default on July tenth, several as high as 36 per cent, while one reported 45 per cent.

5. Over two-thirds signaled their defaulted accounts through the use of colored tabs on a card index file; over a tenth listed the accounts separately, while more than a tenth used the direct ledger reference or age analysis methods.

6. Almost eight out of every ten stores refused credit on all types of merchandise when a charge account was in default.

7. The majority of the stores removed the signal on the card index file when defaults had been cured, while the balance marked each ledger sheet.

8. Most of the stores reported that 1 per cent of their accounts had been cured by conversion; the balance reported as high as 75 per cent.

9. The stores using the card system or tube and telephone system of authorization were equally divided.

10. Existing policies of authorization were not revised in the majority of the stores for compliance with the rules of Regulation W.

11. The necessity of an additional staff and expense for authorizing all "charge-sends" was not necessary in more than half of the stores while more than one-third said it was.

12. More than half of the stores said they did not have many unauthorized "charge-takes" of \$5.00 or less, while the balance said they did.

13. The majority of the stores experienced a decrease in charge sales during July; several as high as 37 per cent, while the median percentage was 10 per cent.

14. Collections increased in practically all stores during July; several as high as 58 per cent, while the median percentage stood at 16 per cent.

tells us the account has been cured. This too is not difficult, due to the special way in which we sort our remittance stubs; and also due to the fact that we can almost immediately find a remittance stub that pertains to a balance of a prior month (by methods previously explained), regardless of how many remittances on current balances have been received on the same day. After our supply of statements on hand had been used up, we adopted a special form of statement that has the remittance stub divided into two sections, the upper section being cut off and retained by us if a statement reflects a balance of a prior month, thus leaving the lower section to go out with the statement. In this way, if a lower section only is received with a remittance, we can always find it immediately and cure the account without delay. On each part of our double section remittance stub, we show, of course, the name and address of the customer, our account number, and the date of the statement; and the statement is printed in such a way that the customer will return both parts of the double section remittance stub. There is no perforation between the two sections of the remittance stub. When the entire double section remittance stub is returned, we know the account can be posted in the usual manner, unless of course the date on the remittance stub shows us that it was taken from a statement of a previous month, in which event the account will require immediate attention. We find it a very easy matter to cut off the upper section of the remittance stub of statements that reflect a balance of a prior month, and we handle these upper sections in exactly the same manner that we formerly handled the "freezing and curing slips." I believe you will agree with me that we have solved the problem of freezing and curing accounts.

Remarks of Mr. F

Mr. F: In opening my remarks, let me say that I believe that Mr. E was right when he pointed out the valued addition a credit card would make to his system. I must add, however, that the credit card, to secure maximum efficiency, should be a "Customer's Unit-balance Credit Ledger Card," and not just another credit card.

Mr. E: Will you explain, Mr. F, what you mean by a "Customer's Unit-balance Credit Ledger Card?"

Mr. F: I shall be pleased to answer your question, Mr. E, because our methods for freezing and curing accounts are identical in principle with yours, and in addition thereto we use a "Customer's Unit-balance Credit Ledger Card." If agreeable, however, I prefer to explain the "Unit-balance" card a little later in my comments.

Mr. E: By all means, explain it in your own way.

Mr. F: You gentlemen will agree with me, I believe, when I say that in each of the five preceding cases, the store is keeping every record that it ever kept, and in addition thereto is standing all expenses incident to the freezing and curing of accounts; and I believe you will also agree with me when I say that this is not sound business, if the additional expenses can be avoided. I

can assure you that they can easily be avoided (not merely reduced to a minimum, as in Mr. E's case), as evidenced by the fact that we have reduced our overhead burden very materially, our efficiency having been secured by the installation of an optional arrangement of a copyrighted system which includes (among other things) a "Customer's Unit-balance Credit Ledger Card" and correlated "Supplemental Ledger Section." So you may understand, a "Customer's Unit-balance Credit Ledger Card" is a credit card that contains coded credit limitations, an expiration date, and a pre-determined number of units to be crossed off as each charge purchase is made by the customer. The crossing off of units, due to manner in which the units are arranged on the card, automatically shows on the "Unit-balance" card the cumulative total of purchases for the month to date. The "Supplemental Ledger Section" embodies the same principles as the "Unit-balance" card, except that it is printed as a part of a ledger sheet or ledger card, and is referred to as a "Master Ledger Card" or "Sheet." The handling of credits, if a "Unit-balance" card is used, is so simple that, if we had several million accounts, it would still be possible to give each account the personal attention necessary intelligently to extend, restrict, or stop credit. "Unit-balance" cards, in our case, are made up when we make the current month's statements, because the "Unit-balance" card is printed as a part of each statement. We, of course, must insert the expiration date on the "Unit-balance" card, which results in the statement of September 1 containing a "Unit-balance" card that expires October 10. The statement reaches the customer sometime prior to September 10, therefore placing the "Unit-balance" card in the customer's possession in ample time to use it for thirty days. There will never be a single day that a customer, entitled to buy, does not have in his possession an unexpired "Unit-balance" card, with one exception; if an account has been frozen, approximately one day can elapse while the card is in the mails—but it should be noted that an account is cured before the card is mailed and that the customer can immediately make purchases even before he receives the card. If a statement contains a prior month's balance, we simply detach the "Unit-balance" stub from the statement and file it (in a temporary file) until the night of the tenth or the morning of the eleventh. All remittances (received during the period in which the "Unit-balance" cards are in the temporary file) are checked against the "Unit-balance" cards, so that the minute a prior month's balance has been paid there will be no delay in handing or mailing the "Unit-balance" card to the customer. In other words, if a customer has paid for everything except the current month's net purchases, before the statement is sent out, the "Unit-balance" credit card goes out as a part of the statement. If he pays his prior month's balance at any time during the succeeding thirty days, the card is immediately turned over or mailed to him. We keep our "Master Ledger Sheets" in a ledger binder, which is removed when posting, and it is, therefore, not difficult to place each detached "Unit-balance" card in front of the

corresponding "Master Ledger Sheet," and keep it there until the prior month's balance has been paid or otherwise cured. When the account is paid or cured, the "Unit-balance" card is turned over to the customer. A credit man (from the standpoint of authorizing credit) is not at any time interested in the exact balance of an account, because no one can gauge to the last dollar the credit limit of an individual, but a credit man does want to know, or control within reason, the up-to-the-minute balance of each customer. This is only possible through the use of a "Unit-balance" card, a "Unit-balance" card being the only practical medium of keeping an up-to-the-minute account balance (expressed in units) with each customer, due to the fact that the "Unit-balance" card can quickly (and with sufficient accuracy for credit purposes) be marked by a bundle wrapper; as fast, and faster in some instances, than change can be made for a customer who is buying for cash. This is accomplished by simply marking off a unit on the "Unit-balance" card every time the customer buys \$1.00 in merchandise. Purchases average out, so when a purchase is made for anything from 50 cents to \$1.45, the bundle wrapper will cross off only one unit, and when a purchase is made for anything from \$1.50 to \$2.45, two units will be crossed off.

It is not difficult to indicate credits for returned merchandise. It also is not at all difficult to use two or more credit cards for each account, and to code each credit card so that the customer will be sent to the credit department whenever he attempts to exceed the credit limitations fixed by the credit department, or whenever the salesperson or bundle wrapper has been instructed to request a customer to come to the credit office. I do not know if I have clearly explained the procedure, but it should be noted that we have almost an entire month to review the "Unit-balance" credit cards that are to go out with the current month's statements, and we, therefore, have more time than we need to indicate any desired change, even to withholding the card entirely when desirable. It also is not difficult to place a stop list in each bundle wrapper's cage, in order to withhold credit on any "Unit-balance" card. Inasmuch as every "Unit-balance" card expires automatically at the end of a thirty-day period, comparatively few stop orders will ever be necessary. It is, I believe, particularly interesting to note that such personal control can be exercised, regardless of how many accounts a store may have, without at any time embarrassing or causing a customer to wait while credit is being authorized, except when the customer forgets his "Unit-balance" card; because the "Unit-balance" card immediately identifies the customer and his credit privileges, and it can be marked up with at least as much speed as change can be made for a cash customer.

Mr. B Does Not Understand

Mr. B: I am sorry, Mr. F, but I do not quite understand how the "Unit-balance" card saves you any effort or expense in complying with Regulation W. I am very anxious to use anything that will help us avoid the additional expenses that we now incur solely because of the freezing and curing of accounts.

Mr. F: Let me see if I can make myself clear. In the first place, when we make a statement for a customer, we automatically make a "Unit-balance" card, because the card is a part of our statement. We could, of course, with very little additional effort, print the "Unit-balance" card separately on a heavier paper. But for the present, let me explain the procedure, with the "Unit-balance" card as a part of the statement. When

our statements are ready to mail, we merely sort them into two stacks, one stack containing all accounts showing balances from a previous month, and another stack containing statements that reflect only purchases made during the current month. We detach the "Unit-balance" card stubs from the statements that reflect a balance of a prior month and file the "Unit-balance" card stubs in a temporary file. The statements are in sequence, so the temporary file of "Unit-balance" card stubs auto-

matically fall into sequence. Inasmuch as we post each cash remittance to our "Master Ledger Sheet," on the 11th of each month we place each "Unit-balance" card in front of the corresponding "Master Ledger Sheet," so, as soon as a remittance is received, the "Unit-balance" card can be sent out, even before the remittance is posted. The fact that the "Unit-balance" card stub is stuffed in front of the "Master Ledger Sheet" gives us an automatic indication that the account is frozen, and we are not forced to bear the expense of continuously analyzing our accounts, or of marking an authorization file to show freezing and curing.

Mr. C: Mr. F, you have not told us how you handle mail and telephone orders, and purchases that are made by a customer when he forgets his "Unit-balance" card.

Additional Remarks of Mr. F

Mr. F: I am glad you asked that question. We prepare, in duplicate, a current month's statement for each customer, but we do not post cash remittances to the statement, our only posting of cash (made daily) being to the customer's "Master Ledger Sheet." If we fail to post cash on any day, we still send out the "Unit-balance" card immediately, because the "Unit-balance" card is sent out when the remittance slip is placed in front of the "Master Ledger Sheet," and not when the remittance is posted to the "Master Ledger Sheet." We do not post sales to our "Master Ledger Sheet" at all, except (as an historical record) after the month has closed.

(Continued in November issue)

In the November Issue

"The Human Side of Credit Management," D. Bolen, Younker Brothers, Des Moines

"When He Writes His Credit Off" M. N. Bunker, Linn Creek, Mo.

"What Do Your Customers Know About Regulation W?" Harold A. Wallace, Credit Bureau of Will County, Joliet

"New Collection Methods to Reduce Personnel and Equipment," Harry S. Hahn, The Ohio Fuel Gas Co., Columbus

"Can Accounts Be Frozen and Cured Without Adding to Overhead?" (Continued) L. Ray Schuessler, St. Louis

Improving Collections— The Collection Agencies' Contribution

Fred E. Fluegel *

AT THE N.R.C.A. Convention in Kansas City in 1928, a committee was appointed to organize what was to be called the Supervising Collection Department. For some reason or other, the committee that was appointed did not function until April of '29. At the Toronto Convention in '30, a majority and a minority report were given by the committee that had been appointed in 1928.

The debate, at Toronto, between the majority and minority committees was quite interesting and for two long days things happened. The idea was finally tabled. It was later felt that an error had been made, so the report was then untabled. The majority report was accepted with some amendments taken from the minority report, and thus the Supervising Collection Department was born. It was then a service department of the National Retail Credit Association, the same as the Credit Bureaus were at that time.

The reason for this preamble is to remind the older members of the N.R.C.A. and to awaken the newer members that the committee appointed to organize a Collection Department was appointed by the members of the N.R.C.A. and not by the collection men or the Credit Bureau men. The collection department was organized for credit men, not necessarily for the collection men or the Bureau men. So, the Supervising Collection Department of the N.R.C.A. is the child of credit men and women.

Collection Division Necessary

You desired a collection setup in your own organization because you were not satisfied with the collection service you were receiving. You did not know where to place your collection business and you felt that if a Collection Department simulating that of the Credit Bureau Department would function, your troubles in placing accounts would be eliminated.

Legitimate collectors welcomed your action, because they realized that in the collection business, as in any profession or mercantile business, there were many collection agencies which operated without any deference to



good business ethics. In other words, they were unscrupulous, and not entitled to any consideration. Some of this off-color competition might be recognized by you in your own line of business. Yet, we had no organization to combat that kind of competition. We did not desire that kind of competition any more than you desire competition with unethical and undesirable collection agencies. We then thought, when the department was set up, that one-half of our trouble of eliminating off-color competition had been solved. A lot of it has been solved.

A New Division of the A. C. B. of A.

Later, the Associated Credit Bureaus of America was set up and the Supervising Collection Department then became a department of the Associated Credit Bureaus and the name was changed to the Collection Service Division.

Half of our troubles were solved, but not all, we are sorry to say. There is still off-color competition, to the members of the Collection Service Division, in business. The only way they can stay in business is to be patronized. Your off-color competition cannot stay in business unless there are gullible customers who patronize them.

In the collection business, there are "vest-pocket boys," the fly-by-night kind. They do a sizeable business because they still have credit granters handing it to them. In fact, that is the only way they are able to stay in business.

The Collection Service Division members are solicited carefully and only those who are efficient, reliable and who can meet our Bond requirements are admitted to membership. We are weeding out and will continue to weed out the weak links in the chain. Our National Office, however, cannot know if the office in your particular town is a weak one or not, because the National Office is not one of the creditors whom that office is serving. So, when you find a weak link in our chain, please report it to our National Office. We want to know it even more than you do.

Now, we do not claim to have cornered all the collection brains in the United States. There are many, many good offices handling collections in the United States, which are not members of the Collection Service Division. We are seeking those offices to replace the weak links.

*General Manager, Iowa Adjustment & Credit Bureau, Cedar Rapids; Retiring Chairman, Collection Service Division, Associated Credit Bureaus of America. An address delivered at the 30th Annual Conference and Credit Sales Forum, N. R. C. A., New Orleans, June 18.

When our organization was originally formed the collection departments of the respective Credit Bureaus were the natural members. Unfortunately, we have since learned that the Credit Bureau did not always operate as good a collection department as they did a reporting department, but since they held a membership with the Associated Credit Bureaus of America, we gave them an opportunity of having a collection department that was equally efficient as their reporting department.

Suggestions for Placing the Account

When placing an account or seeking a new connection to handle your collections, first consult your local Credit Bureau, regardless of whether they have a collection department or not. Get their record on the offices in your city serving creditors and get a report on them, the same as you would a prospective charge customer.

After receiving those reports, visit those respective offices, yourself, in person; look them over. You can tell when an office is successful and when it is not, by your personal call. Get acquainted with the operator of the office; he may never have called on you.

The next thing to do before placing accounts is to learn whose services are being used by other credit granters. That is a good indication as to which office is giving the real service. In making a choice of your collector, seek quality and security, and find out how they stack up with each other in results. Don't seek low-rate commission offices. If you want quality in merchandise, you do not go to the bootleggers in merchandise.

If you find that any one office is very low on rates, remember that in most instances collection office failures can be traced to their low rate of commission charges. So, if you are driving a sharp bargain by getting two or more offices competing with each other in rates, in order to handle your collections, my advice is to take the fellow who asks you the most. I want to repeat that. Choose the office that asks you the highest rate of commission. Almost always, maximum rates give you security, service and results.

Here is an illustration: Take \$1,000 worth of accounts and, let's say the commission is 50 per cent or twice as much as a competitive collector charges. The office that charges the 50 per cent will collect twice as much for you as the other fellow will for half the rate, which leaves you a net difference, cash less commission, of 34 per cent more cash in your till by using the higher rate. Forget rate . . . think about net return . . . insisting on low rates makes a defunct collector.

High-powered solicitors, who promise the world and even a fence to go around it, are also needed by collection offices that charge low rates but do not produce results. They need high-powered solicitors just the same as it takes a high-powered salesman to sell poor stocks and bonds.

If you are solicited by a man and, after he has gone, you say to yourself: "My, he didn't present his proposition very well," forget that because after all, a good collector usually is a poor salesman when it comes to procuring the business for his office, but he is the highest type and best salesman that you

could ever acquire for your own business when it comes to collecting. He must be so good as a salesman that he can recover money for you even though he has nothing tangible to enforce that collection. Remember, after you have used stickers and form letters, the collector gets the account for collection. After all the effort that you credit men and women put on the accounts I marvel that we collect anything.

Some creditors say: "We don't want the debtor to become angry with us. We don't want them mad at us." If that is the case, you have the best reason under the sun to turn over an account, because the customer is angry with the collection man and not with you.

The Collection Service Division does not have a corner on brains when it comes to collections. We are trying to increase that corner, we admit. All things being equal, we ask that since we are your children, you use us and, when you use us, you are not helping one of the unscrupulous collection agencies.

There are now close to 600 of your children scattered all over the United States and parts of Canada. That number could be doubled overnight, if all the Credit Bureaus which have collection departments would become members of the Collection Service Division. Or, where they do not have departments, they could recommend in their city a legitimate operator to become a member of the Collection Service Division, and as credit men and women, if I were you, I would want to know why there was not a Collection Service Division member in your respective cities.

You tell your customers that it is not economical to go without your service because you can save them money. You tell them it is not socially proper to run around with patches on the seat of their trousers: "Come in and let us outfit you properly." We collectors tell you, by the same token, it is not good economics to hold on to your accounts too long. The longer they are delinquent customers on your books, the longer they stay out of your place of business. I don't have to prove that. Our function is to let you jingle your own dollars in your own pockets, instead of letting a delinquent customer jingle your dollars in his pockets.

To be of any value to their owners, accounts must be collected. A million dollars of potential value in accounts receivable is worth nothing until those accounts are converted to real cash. Judging from the number and the dollar amount of accounts on the books of many merchants, they seemingly do not give serious consideration to this fact.

Large losses from past-due accounts are unnecessary. Losses cannot be eliminated entirely, but they can be greatly reduced by giving active attention to all unpaid accounts. These past-due accounts, in order to be converted to cash, need the most active and careful follow-up and pressure of one kind or another.

Not one creditor in a hundred has the facilities for following these accounts to secure the greatest possible value from them. If you will stop and think, you will realize that it costs you more to play with them than it does to let a collection department work on them and get results for you.

THE SALVATION ARMY
IS HELPING
UNCLE SAM'S DEFENSE PROGRAM



OUR TRUCK
WILL CALL FOR
• NEWSPAPERS
• MAGAZINES
• CLOTHING
• FURNITURE
• METALS ETC. ETC.
PHONE • POSTCARD

Meetings
ELECTIONS

NEWS ITEMS

Personal and
OTHERWISE

Another Member Called to Active Duty

Edward L. Murphy, Vice-President of the Peoples Finance & Thrift Co., Birmingham, Ala., has been commissioned a Captain in the U. S. Air Corps Ground Support Command and has been called to active duty at Camp Bowie, Texas. Captain Murphy served with the U. S. Navy as yeoman, first class, during the first World War.

A. G. Evans Promoted to Wholesale Department

A. G. Evans, Past President of the Retail Credit Association of Kansas City, and one of its most active members, is leaving the credit field by virtue of a promotion from Credit Manager of the Jenkins Music Company to Office Manager of the Wholesale Department of that firm. The Local, District and National Association will feel the loss of a loyal and enthusiastic member.

N. R. C. A. Legislative Committee

Members of the N. R. C. A. Legislative Committee for 1942-1943 are: Roscoe W. Reichard, The Hecht Co., Washington, D. C., Chairman; L. W. Hilbert, Stewart & Co., Baltimore, Md., Vice-Chairman; LeRoy N. Dickerson, Wilmington Furniture Co., Wilmington, Del.; R. M. Severa, R. H. Macy & Co., New York; Abe Coonin, Wm. Hahn & Co., Washington, D. C.; and Edward Meier, Marshall Field & Co., Chicago.

Important Notice

The Federal Reserve Board has recently commented on certain collection notices in which the regulation has been used as a club to enforce collections; and it has pointed out in no uncertain terms that Regulation W must not be employed to intimidate the public into paying bills. Credit granters are cautioned, therefore, to avoid improper reference to the regulation in letters and especially the use of language indicating that the regulation is more severe than it actually is.

Stickers and inserts available from the N. R. C. A. comply with the requirements, but there are a number of stickers now being offered for sale which refer incorrectly to the provisions of the regulation. Collection stickers containing the following statements should be avoided:

(a) Government Credit Regulations insist that payment in full *must* be made by the 10th of the second month following purchase.

(b) Government regulations necessitate the restriction of further credit until your overdue balance is paid.

You comply with Regulation W when you tell a customer that his charge account will be in default unless purchases made in one month are paid in full by the 10th of the second month following; and that when a charge account is in default, you are forbidden to extend further credit for the purchase of *listed articles* until the default is cured.

Coming District Conferences

Districts Three and Four (Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee) will meet in Atlanta, Georgia, April 11, 12, 13, 1943.

District Six (Iowa, Minnesota, Nebraska, North Dakota, South Dakota, Superior, Wisconsin, and Province of Manitoba, Canada) will meet in Omaha, Nebraska, February 7, 8, 9, 1943.

District Seven (Missouri, Kansas, Oklahoma, and Arkansas) will meet in St. Louis, Missouri, February 14 and 15, 1943.

Oklahoma Credit Conference

The joint semi-annual convention of the Oklahoma State Retail Credit Association and the Associated Credit Bureaus of Oklahoma will be held at the Mayo Hotel, Tulsa, on October 17 and 18, for discussion of wartime problems. A splendid program is being arranged of which group meetings will be a prominent part.

Boston Conference on Distribution

The 14th annual Boston Conference on Distribution will be held at the Hotel Statler, Boston, October 5 and 6, 1942. An outstanding program has been prepared.

A Correction

In the September issue we made an error in reporting the Syracuse, New York, Department Store collection percentages. We inserted the 1941 figures in place of those for 1942. Correct percentages are: Regular, Average, 56.0; High, 60.2; Low, 46.0. Installment: Average 18.3; High, 22.5; Low 15.8.

E. H. (Red) Brown Improving

Latest reports are that E. H. (Red) Brown's condition is steadily improving. Mr. Brown, who is Credit Manager of Shudde Bros., Houston, and First Vice-President of the Associated Retail Credit Men of Texas, was critically injured when two police cars collided July 14. He was riding as an auxiliary police officer under the Houston Civilian Defense plan when the accident occurred.

Charles L. Mobley

Charles L. Mobley, 56, former Credit Manager for the Kerr Dry Goods Co., Oklahoma City, died at his home in Fort Worth, Texas. Mr. Mobley had been connected with Kerr's for 15 years before moving to Fort Worth. He was a charter member of the Oklahoma City Retailers Association and was a member of the National Retail Credit Association prior to the organization of the Oklahoma City Association in August, 1917.

Recent Elections

Trenton, New Jersey

Officers of the Retail Credit Men of Trenton, N. J., for the ensuing year, are: President, Edward M. Gallagher, Swern & Co.; Vice-President, Matthew M. Miller, Household Finance Co., and Secretary-Treasurer, Mrs. Lillian Koenig, Swern & Co. The Executive Committee includes: William Housel, Trenton Trust Co.; Mrs. Hazel Llewellyn, Goldbergs; Robert E. Detwiler, F. W. Donnelly & Sons; and Harvey Voorhees, Nevius-Voorhees Co.

Valdosta, Georgia

Another new National Unit is that of the Retail Credit Association of Valdosta, Georgia, recently organized. The President is C. C. Varnedoe of C. C. Varnedoe & Co.; and the Secretary-Treasurer is Mrs. J. L. Cowart, Cowart's Dress Shop.

Minneapolis, Minnesota

The 1942-43 officers and directors of the Retail Credit Association of Minneapolis are: President, M. A. Askerman, Paul A. Schmitt Music Co.; Vice-President, C. E. Youngquist, Mitby & Sather Co.; Secretary, A. C. Stevensen, Retail Credit Association; and Treasurer, Mrs. Anne C. Marciniak, M. L. Rothschild & Co. Directors: J. L. Allan, Juster Bros.; Pearl M. Evans, Napier's Booterie; K. J. Hersey, Credit Service, Inc.; M. A. Larson, Leader, Inc.; H. P. Meder, N. W. Natl. Bank & Trust Co.; R. J. Mularkey, J. B. Hudson Co.; R. B. Page, Allied Bldg. Credits, Inc.; H. W. Rugg, Northern States Power Co.; D. W. Vinlove, Sears Roebuck & Co.; and C. R. Campbell, United States Army (Ex-Officio).

Columbus, Georgia

The officers and directors of the Associated Credit Managers of Columbus for the ensuing year are: President, L. R. Christie, United Oil Corp.; Vice-President, Miss Mary Hagins, J. A. Kirven Co.; Secretary, Hoke S. Wilkinson, Merchants Credit Association; and Treasurer, Miss Ruth Morgan, Hugh Bentley Sport Shop. Directors: Dozier M. Lightfoot, Chancellor Clo. Co.; Mrs. Gordon Trammell, John K. Harris Clo. Co.; Mr. L. M. Layfield, Georgia Power Co.; Mrs. Bernice Arant, Miller-Taylor Shoe Co.; and W. L. Harrell, Motor Contract Co.

Positions Wanted

CREDIT MANAGER: 46, American, now with large eastern department store handling approximately 250,000 accounts; desires to make change. Identified with the credit and collection field for past 25 years; 12 years with department stores. Thoroughly familiar with Regulation W and its operation in both charge and installment. Address Box 101, CREDIT WORLD.

CONTROLLER OR STORE MANAGER: Age 46 years, married, excellent health and good personality. 14 years' retail department store experience. Fully acquainted with retail method of inventory, department store organization and procedure, and with present-day excise and income taxes. Best of references. Address Box 102, CREDIT WORLD.

BAROMETER

of Retail

BUSINESS

Sales and Collection Trends

August, 1942, vs. August, 1941

Compiled by Research Division, National Retail Credit Association

Arthur H. Hert, Research Director

CREDIT SALES decreased 11.7 per cent during August; total sales increased 8.9 per cent; and collections increased 11.1 per cent in the United States and Canada, as compared with August, 1941. The increase in collections is attributed to Regulation W and the increase in total sales to more money in circulation through defense work and improved employment generally. Credit sales continue to decrease due largely to government credit restrictions.

Highlights of the monthly analysis are shown in the tables below:

Highlights for August

- 48 Cities reporting.
- 14,331 Retail stores represented.

COLLECTIONS

- 46 Cities reported increases.
- 11.1% Was the average increase for all cities.
- 25.0% Was the greatest increase (Dayton, Ohio).
- 2 Cities reported decreases.
- 5.0% Was the greatest decrease (Torrington, Wyo.).

CREDIT SALES

- 43 Cities reported decreases.
- 11.7% Was the average decrease for all cities.
- 48.5% Was the greatest decrease (Fresno, Calif.).
- 5 Cities reported increases.
- 17.5% Was the greatest increase (Joplin, Mo.).

TOTAL SALES

- 37 Cities reported increases.
- 8.9% Was the average increase for all cities.
- 54.6% Was the greatest increase (Galveston, Texas).
- 1 City reported no change (Cheyenne, Wyo.).
- 10 Cities reported decreases.
- 12.9% Was the greatest decrease (Pittsburgh, Pa.).

UNAUTHORIZED CHARGE NOTICE



Your patronage and goodwill are sincerely appreciated. In fact, we hope that everything we do will contribute to the continuance of this happy relationship.

The new Government Regulations, however, have placed a number of new duties upon us. One of them, for example, requires us to ask for immediate payment of the purchase listed below, or the return of the merchandise.

It is, therefore, with sincere regard for you as a valued patron that we ask you to pay this small sum. If you can also include in your check the amount in default, we shall be very grateful.

This will restore your charge account to its customary excellent standing and you will be able to use it at once.

Amount of purchase \$..... Date purchased

Amount in default \$.....

Remit to

Address



THE LATEST in our Regulation W series. For use in connection with unauthorized "charge-takes" of \$5.00 or less. Specially prepared to enable credit granters to conform with government requirements and still retain customer good will.

A form that collects both the amount of the unauthorized purchase and the amount in default. For best results, should be used in duplicate and copy retained for inspection purposes.

Firm name imprinted without charge in bold face type on all individual orders for 5,000 or more. Actual size 6¼" by 7". Designed for use in window envelopes.

Price — \$2.75 a Thousand

NATIONAL RETAIL CREDIT ASSOCIATION

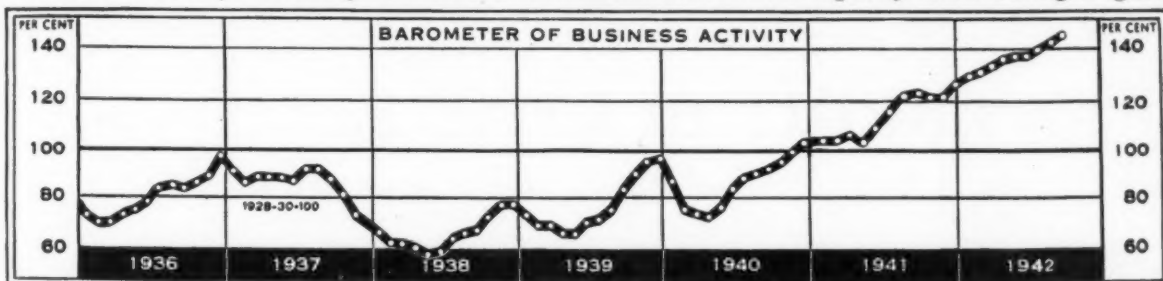
SHELL BUILDING ST. LOUIS, MO.

CREDIT WORLD 30 OCTOBER

CURRENT BUSINESS CONDITIONS

The Barometer

Productive activity in leading industries was maintained at or near capacity levels during August.



This barometer appears in the October issue of "Nation's Business," published by the United States Chamber of Commerce.

The Map

Industrial activity and volume of trade continue to show significant gains over the rate a year ago. Business enters the fall months at the fastest pace ever achieved and even if further advance this year is less than usual, total employment and national income will be high.

Although in every section of the United States and Canada business is considerably higher in some cities, the trend has been slightly downward in recent weeks. Manufacture of civilian goods has dropped in many factories and in those regions where plants cannot be readily shifted to war work, employment has declined. Retail sales have also been affected by shortages of materials, even though consumer purchasing power is larger than it has ever been before.

Another significant trend in business during recent weeks has been the more rapid advance in territories away from the main industrial centers. High rates of activity were achieved in these centers first and, as factories there have been operating at close to capacity for many months, further rises can be ex-

pected to be less rapid than in other regions where many new plants have been constructed.

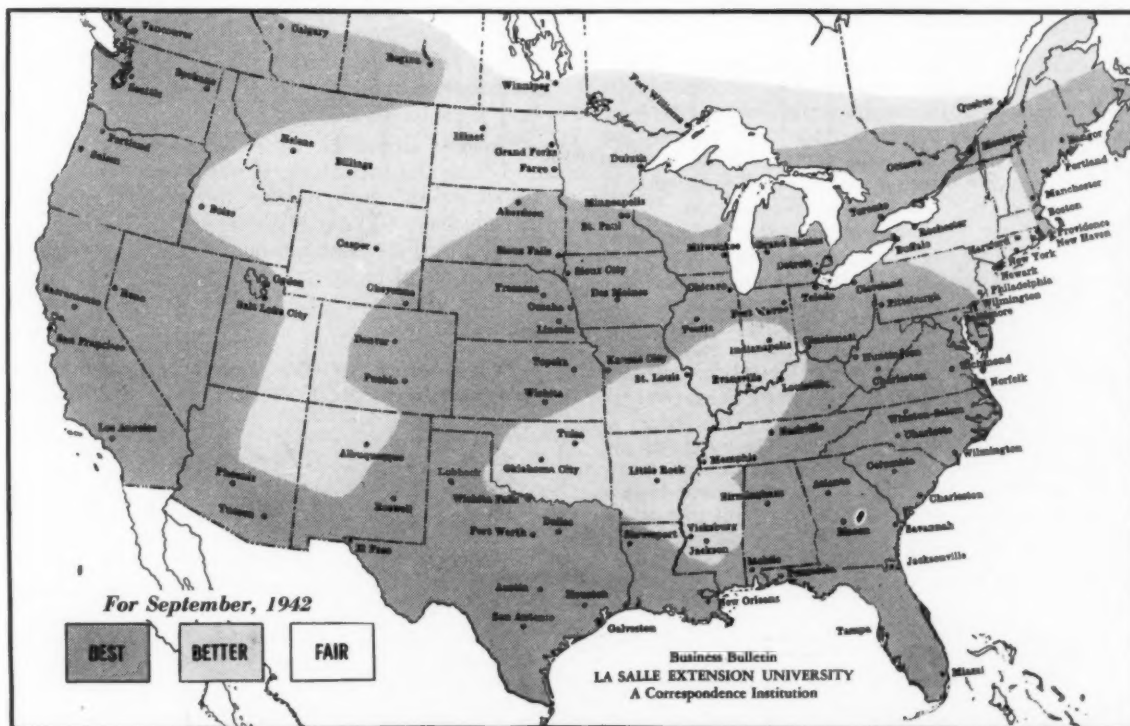
In the South and Southwest the effect of these trends has been most striking. In some sections, retail trade has advanced even more than has the production of goods.

Conditions in the agricultural sections of the Middle West have steadily improved, and throughout most of this territory conditions are as favorable as in other parts of the country.

Demand for minerals and metals has speeded up operations in the Mountain states, and the increase over last year is close to the national average.

Along the West Coast both trade and industry have been expanding unusually rapidly. The increase has been more in the southern part than in the northern, but the difference between the two territories is not great.

In Canada, the trends in industry, trade, and agriculture have been about the same as they have been in the United States.



COMMENTS

By the Editor

Your CREDIT BUREAU and the War!

IF THE CREDIT BUREAU of your city, whether merchant owned or privately owned, is to continue to render the efficient service so necessary in the extension of credit, it is entitled to your support and 100% cooperation in an effort to offset the loss of revenue caused by the drastic drop in installment credit volume and increased expenses in the way of wages and other operating items.

The principal reason for the abnormal loss in volume is the scarcity of heavy merchandise, such as automobiles and electric appliances, usually sold on installments, and the financing of such sales. The situation will become more acute and will continue for the duration of the war.

I quote from an address of L. S. Gilbert, Manager, Credit Service Exchange, Atlanta, then President of the Associated Credit Bureaus of America, delivered at the 30th Annual Conference of our Association at New Orleans on June 16:

Our Credit Bureaus need your support. I examined the production figures of seventeen of our largest bureaus and compared them with the same month of last year. I found that the volume was twenty-six per cent less, and actually those bureaus are in a favorable position as compared with most of us. They are in cities such as Washington, D. C., where there has been such an influx of people they have to live elsewhere; cities like Seattle, where there are tremendous defense industries at work; cities like those, that have an abnormal civic condition because of the war effort, are included in these figures, and still their volume is twenty-six per cent less than a year ago. Most of us are doing less than fifty per cent of the credit reporting we were doing a year ago.

Bureaus are businesses; they do not exist on air and water; it takes money to keep the wheels turning. If we are to retain this fine and efficient organization of credit bureaus, which has been developed over the past twenty-five years, it is going to be necessary for you credit executives to get in there and pitch. We need your help!

Approximately 1,000 credit bureaus in the United States and Canada are loyal members of this Association. We were organized more than thirty years ago, with the assistance of credit bureau managers, and over the years they have given freely of their time in the building of a greater National Association.

Realizing the importance of the work of the credit bureau and the necessity of maintaining service as nearly as possible comparable to the past, committees in several cities representing retail credit granters and credit bureaus have found it desirable to adjust rates upward.

The credit bureau is an important adjunct to the credit department and a distinct asset to retailing. It should be given the necessary financial assistance so that when business is again normal there will be no question about the ability of the bureau to promptly and efficiently serve its members. The slight increase in rates necessary at this time should not work a hardship on any firm. *Your continued cooperation will assist the credit bureau manager in solving what, with most bureaus, is a serious problem.*

Discuss this with your bureau manager now, and take the initiative, if necessary, in creating sufficient interest in the movement to insure its success. The preservation of your credit bureau and its continuance on a sound financial basis is vital to every credit granter. It is important that the problem be given immediate consideration.

Preservation of the credit bureau is your responsibility. ACT NOW!

L. Shouder

General Manager-Treasurer



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